Bunting rebuff decision boosts company moral

Christchurch Correspondent

BUNTINGS, the Christchurch brushware company, must have felt some pleasure in flicking away an unwanted partial takeover bid from Scott Group.

It's been some time since Buntings has had as much to boost its morale as the directors' decisive rebuff of a "totally unacceptable" Scott bid of 80 cents for 51 per cent of the capital.

They were doubtlessly hoping that shareholders would show as much confidence when they flocked into the Canterbury Manufacturers' Association building in Christchurch for the annual meeting.

Bunting chairman, S W J Harbutt has been urging shareholders to either show up for the meeting or send proxies which would be used to ensure that a proposed issue of 500,000 Bunting shares at 15 cents premium to new corporate investor H W Smith and Co could be authorised.

Smiths is the restructured family timber company headed by urbane city businessman Cyril Smith with day-to-day management now in the hands of Ron Brierley's former lieutenant Bruce Judge of Wellington.

The financial and management expertise of H W Smith appealed to Buntings when Judge dropped in weeks back as the Bunting company had just come through a very tough year in which red ink underlined a move back to the South Island.

Bunting was in talks with Talus Brushware last year but nothing came of the talks. A trading loss of $328,303 in the latest February year was enough to daunt most potential suitors.

When Smiths happened along with an offer of help — and a mouth-watering cash injection — in return for a slice of future action, all that seemed necessary to clinch the deal was shareholder approval at the annual meeting.

Scott's arrival on the scene with an offer that immediately saw another "don't sell" warning issued and the share price firm, carried a threat to the future of the Smith link. The notice of offer from Scotts said the northern company wouldn't proceed if the issue of shares to Smiths proceeded.

Directors had to choose and their reaction was hardly in doubt. They stated almost immediately that they were perturbed at the way 49 per cent of shareholders would be left in a minority position after Scott had captured their 51 per cent holding.

Smiths also looked like being a good partner. Harbutt conceded that the background and experience of H W Smith Ltd in timber and sawmilling would be of great value to Buntings which has significant interest in these fields.

There was more to the Smith deal than that, however, with Judge up for election to the board at the Bunting annual meeting. Management has been a difficult area for Buntings in recent years, and Judge's brilliance as a tactician had certainly never been in doubt at Brierley Investments' even if all his campaigns weren't total successes.


BRUCE JUDGE...attracts Buntings


CYRIL SMITH...has background experience.

It came as scant surprise therefore on July 14 when shareholders got a letter from Harbutt with the annual accounts clearly stating:

"In the light of our firm view that the offer (from Scott) is totally inadequate, we repeat our recommendation that you support the issue of shares to H W Smith Ltd and we suggest that you attend the annual meeting so that your vote can be exercised."

There had been a steady flow of Bunting shares being traded on the national sharemarket despite the "don't sell" warning and it is believed that most of the sales went into hands best described as "friendly to the board".

In its short debut as a new force in financial circles, H W Smith Ltd has shown it doesn't let the grass grow under its sizeable bank account.

Smiths has of course been sitting on the front porch rather than in the drawing room at this stage but it would hardly favour a partial bid.

From his own experience at BIL, Judge would be quite aware of the most unsatisfactory situation some shareholders can be left in if an offer is not made for all shareholdings. There was the situation of some shareholders who might have been left high and dry in the now-dropped John Burns situation.

Smiths is certainly not along for the ride just to admire Buntings' undoubted skill in making household and industrial brushes. It is obviously confident that the cash injection will help put Buntings back on a profitable path.

Buntings losses are after all the result of rather unusual factors rather than trading downturn or lack of quality in the product.

Buntings ran its first trading loss (in the half year ended August 1978) as a direct result of the compulsory acquisition of its central city factory by the Ministry of Works for future motorway space.

Thinking about relocating, Buntings made a mistake in commissioning a modern factory in Auckland in 1974 as well as shifting home base out to the vicinity of Christchurch International Airport ...

That initial loss prompted some rethinking about the need to be close to ... markets in Auckland ... finally Buntings bit the ... by deciding to close ... Papakura and fly home ... of the equipment it had ... up north in the first place ... a cheap change of mind.

Seldom has a logistic exercise of such size been carried out so swiftly and ... vital machinery was closed ... Auckland on a Friday and ... commissioned in Christchurch on the Monday of the ... week.

The Christchurch factory ... now performing exceptionally well under new management led by chief executive ... Max Smith who was brought from Buntings' Australian subsidiary T Pollock and Sons Pty.

Buntings remains tenaciously dedicated to extracting full satisfaction ... the authorities for ... damaging ejection from ... original inner city ... Total payments to ... relocation disturbance ... amount to $566,073 ... $309,460 paid over in the ... year and there are ... claims unsettled.

The current state of ... company's finances could ... further improved if ... succeed in hopes that ... substantiate post-1978 ... responsible for this state ... books. Negotiations are under way with the authorities.

Substantial surplus ... will also be "rationalised" ... year and that should ... in capital profits. Estimated tax losses are also $97...

Among its non-current liabilities of $1.9 million ... is a further $750 ... debenture stock re... between 1979 and ... $150,000 suspensory loan ... the DFC which is ... repayable upon performance of certain conditions, a ... DFC export suspensory ... not repayable ... achievement of a specified export performance, $... in secured mortgages ... $285,524 Euro-dollar loan.

Bunting has been ... time to restore its profit ... and if another takeover bid should emerge both ... existing shareholders ... their new bed-fellow H W Smith Ltd could react ... enthusiastically.

But it would have to put a realistic value on all the ... and that means ... would have to put up ... what Scott Group intended ... spend plus whatever premium the shareholders would ... because of the company's potential comeback.

NATIONAL BUSINESS REVIEW

60 cents

Volume 9 No. 28 (Issue 345) August 1, 1979

Financier withdraws support; 'gay' film left in lurch

by Warren Berryman

SHOOTING of "Night Moves", a 90-minute dramatisation of the homosexual demi-monde, finished 10 days ago.

But the producers have learned that the major financial backer has withdrawn his support, leaving debts to actors, suppliers, and others of more than $17,000.

Filmed in central Auckland over a six-week period, "Night Moves" is a movie about four gay people and their problems facing society and the gay world.

The film had an $80,000 budget, $60,000 of it in cash.

About $35,000 has been spent so far. More than $10,000 of this is outstanding to creditors such as actors for wages, Vidcom for use of facilities, Dominion Rentals for hire cars, and cameramen who are owed wages and equipment hire.

More monies have been advanced by an Auckland businessman in anticipation that the major financial backer would cover these expenses.

Richard Turner, as producer-director, provided the script and his own film-making expertise.

Tony Katavich, publisher of Out Magazine, was a backer.

Turner said shooting started on the assumption that $30,000 would be coming from the film's major backer.

This backer was Bryan Knox. Knox is the past owner of the Kelmac group of companies.

Kelmac, like many other companies, was involved in the collapse of the Securitibank Group.

Before shooting on "Night Moves" began, Knox and Turner signed a joint-venture agreement. Knox was to invest $30,000 in the film.

The agreement made no mention of when this money was to be invested.

The agreement mentioned Turner as trustee of a company to be incorporated, Trilogic Film Productions Ltd.

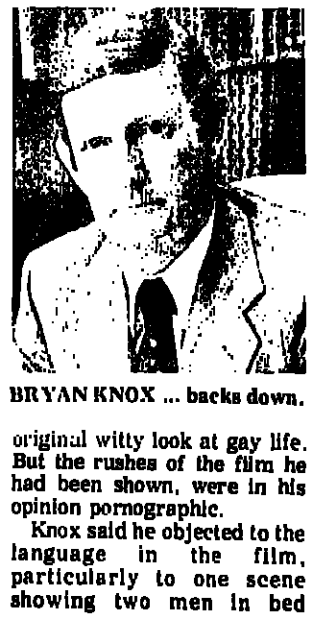
Trilogic is not yet a registered company. In effect, Trilogic is just Turner himself.

Regarding payback on investment, the investors were to get 70 per cent and Trilogic 30 per cent until the initial investment had been covered. After that, the split in profits was to be 50-50 between Trilogic and the investors.

As the filming went on, Turner and his group of investors went to Knox for money. First they were given a check for $1000 which went through the bank with no difficulty.

They were given two further cheques for a total of $16,000 by Knox. The bank refused payment.

Knox said he stopped these cheques because he was not happy with the film. Knox said he had originally been led to believe the film was to be an original witty look at gay life. But the rushes of the film he had been shown, were in his opinion pornographic.

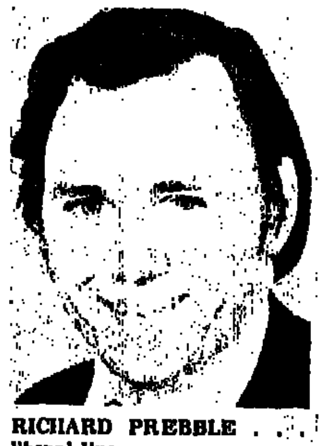

BRYAN KNOX ... backs down.

Knox said he objected to the language in the film, particularly to one scene showing two men in bed "making love" that, in his opinion, was far too explicit to be proper.


DON FARR . . . considers taking possession.

Knox said he was withdrawing his support, firstly on moral grounds, and secondly because he feared the film would either be censored or be of such limited appeal as to be unprofitable here.

Turner and Katavich claimed they had no idea Knox was unhappy with the contents of the film. They said they were under the impression the two returned cheques were evidence only of a delay in Knox's money coming from the United States, and not of a desire to back out of the deal.


RICHARD PREBBLE . . . liberal line.

Turner acknowledged that the film was of minority interest and would probably be shown here only in small art theatres. But he had high hopes for the film's export potential.

By arrangement, Knox's money was to go through a trustee who would look after Knox's interests.

This trustee, an Auckland businessman, advanced his own money in anticipation that these expenses would be covered by Knox.

This businessman was involved with Knox in a proposal to bring into New Zealand $200 million in Swiss francs, borrowed through the New York Office of the Union Bank Swiss, at 4.5 per cent interest, and onlent to Government—secured by Government 10 year stock—at 10.5 per cent.

The 5 per cent margin was to be channelled through an Auckland company (yet to be set up) to borrowers involved in such projects as tourism and compressed natural gas.

This businessman laid out his own money to cover the film making expenses in anticipation that Knox would come up with the money to honour the cheques.

He said he could not understand Knox's change of heart because Knox had seen some of the film in its making, read the script, and seen some of the rushes of the final product.

Actor's Equity gave its blessings to the film on the understanding it had sound financial backing.

Actor's Equity branch secretary Don Farr allowed Trilogic to pay union members a standard rate of only $75 a day, rather than their standard daily rate of $110.

Don Farr took a one-day part in the film himself for $75 and has not yet been paid.

Farr is now faced with the prospect of his members not being paid and said he had to consider taking possession of the film.

The lead role in the film is played by Robert Shannon, an actor well known in the Mercury Theatre. Donna Akerston, now appearing in Middle Age Spread, played the female support role.

The actors and cameramen approached the film with what has been described as "missionary zeal".

Some were informed prior to the last week's shooting that money might not be immediately available to pay them. But they continued to work in spite of this.

Some of the actors accepted investment in Trilogic in lieu of part of their wages.

The actor's contract was written in the name of Turner as trustee for Trilogic, a company yet to be incorporated with a proposed share capital of $2000.

Turner was to have taken 1999 of the 2000 shares. And the contract limits his personal liability to his share of that capital.

Turner has been working on the film for two years. He started on the script with an Arts' Council grant of $2000.

The Film Commission is considered unlikely to back the film because of expected opposition from Patricia Bartlett and some Members of Parliament.

Hansard of September 1978, records a debate on the subject of the Film Commission financing a film on homosexuality. Labour's Richard Prebble took a liberal line against an individual or Government forcing moral standards on the rest of the community, and said that Government finance for a film on homosexuality did not mean that Government endorsed homosexuality.

Turner said the present group of investors was unable to come up with the outstanding $10,000. Work on the film would have to stop until the project was refinanced.

Apart from the $10,000, a further $35,000 would be needed to finish the film.

Turner and his fellow investors were now looking for other backers.

Despite the setback, Trilogic has a film in the can to show potential investors.

Turner said the investors were pleased with the film.

The actors, cameramen, and support staff were obviously pleased with the film—obvious by virtue of the fact that they continued work at reduced rates to finish it, knowing payment was in doubt.

Inside:

Registered at Post Office Headquarters as a newspaper

Incorporating Admark

RDM... the new hallucinogen

by Colin James

EITHER I am having hallucinations or the Prime Minister is. I thought I heard him ask the country for its co-operation the other night.

What he meant, of course, was compliance.

Labour Minister, Jim Bolger, for instance, "co-operates" well with the Prime Minister.

But generally, like Deputy Finance Minister Hugh Templeton, he has been able to change step to match the latest "co-operative" change of policy as smartly as a good footsoldier should.

So does Deputy Finance Minister Hugh Templeton, who has repeatedly been able to change step to match the latest "co-operative" change of policy as smartly as a good footsoldier should.

Ours not to reason why . . . an admirable sentiment in a footsoldier.

But this is not a country of footsoldiers. Real people resent marching-orders from on high.

Witness the occasional discontent among rank and file unionists who suddenly find they're on strike, not because they've come to that conclusion, but because someone "up there" has ordered it.

Governments, like union executives, have a habit of knowing best what's good for lesser mortals.

Earlier this year the Employers' Federation cobbled together proposals to reform the wage-fixing system, which they said disregards economic constraints.

Despite their flaws, these proposals could have formed the basis for discussions among the Government, employers and unions.

That sort of behaviour is called consultation. It is one of the basic foundations of democratic government.

To take an industrial example again: many a factory manager will tell you that workers accept change more readily when someone asks them what they think before it is done.

Even footsoldiers will eventually rebel when the generals are unreasonable (World War I) or the war is unpopular, as "fragged" American officers in Vietnam found out.

Consultation is an art. Keith Holyoake practised it with great skill during the placid 1960s. Jack Marshall went through an agonising series of meetings in search of compromise before he brought in his wage controls in 1971.

But there have been no consultations worthy of the name with the Federation of Labour on new forms of wage-fixing.

What could have been a half-year of intensive discussion aimed at an agreed new structure became instead a desert of distrust.

The fact that Sir Tom Skinner retired is no reason for not making the attempt — him apart, the FOL top brass is the same. Nor do the Prime Minister's frequent overseas absences justify the Government sitting on its hands.

But the past $3\frac{1}{2}$ years has not been a period of doing things together. They have been years of setting people at each other's throats.

"Co-operation" has come to mean "get in behind".

The Government has decided, in effect, to issue any general wage orders there are to be for the time being. That is because the Prime Minister does not believe the Court of Arbitration "capable of handling this application for a minimum living wage".

That is even though the Court was bound to listen to the Government on the state of the economy and give paramount attention to economic stability.

The other part of the pronouncement is round table discussions over the next three months to produce new wage-fixing procedures.

He may think that is statesmanlike. To the FOL it will look like negotiating under duress — the same device the Prime Minister complains, correctly, some unions have used on employers.

Such "negotiations" do not produce lasting peace between unions and employers — for the reason that one side feels it is being done.

The chances of a genuinely agreed new wage-fixing procedure within three months are poor. A much more common expectation among protagonists last week was that some time after the three months wage controls will be reimposed.

This expectation has some justification. There has been a growing fear in Government quarters that total wage movements this year could get out of hand.

Ministers and backbenchers have become quite skittery of late. I hesitate to call it panic, but the seeds are there. The suddenness of the Prime Minister's move, catching by surprise even his backbench economic committee, attests to this.

(I do not subscribe to the view that it was done to impress the National Party conference last weekend — but there is a gentle irony in the Prime Minister heading off for a couple of days in the sun in Mauritius and the Commonwealth meeting in Lusaka and leaving his underlings to carry the can in Parliament.)

As it is, wage movements are not going to be small. On the Prime Minister's own calculation — 4.5 per cent from Mount Sinai and around 10 per cent in individual settlements — the overall movement will be around 15 per cent.

If one assumes an inflation rate for the year of around 17 or 18 per cent — a not unreasonable assumption, on Budget figures — a wage movement of 15 per cent would mean a 2 or 3 per cent drop in real terms, which would recover the 2 to 3 per cent real increase the Prime Minister says happened last year.

No tears need be shed [illegible] the general wage orders. Their abolition was [illegible] foreshadowed, by [illegible] Government and by this paper among others. The surprise [illegible] that it has not come earlier.

There is now a [illegible] established set of relativities among awards. Provided [illegible] awards take into account [illegible] of living movements, there [illegible] no real justification [illegible] general wage orders.

Which brings us to the Prime Minister's idea of a "minimum standard of living": [illegible] rates, tax and benefits [illegible] package capable of sustaining a low-income family.

What he seems [illegible] suggesting is that [illegible] Government, employers [illegible] unions should get together periodically and hammer [illegible] total package.

Whether this would go [illegible] as actual negotiations over [illegible] rates and benefits as well [illegible] overall wage movement [illegible] unclear. More likely [illegible] Government would say what [illegible] is prepared to do on [illegible] and taxes and then [illegible] about the wages.

Whatever emerges seems [illegible] present evidence likely [illegible] amount to corporatist negotiations between the [illegible] and the Government, with [illegible] Government as arbitrator.

This may look like [illegible] antithesis of the hesitant [illegible] in the Budget towards [illegible] the economy — that is [illegible] Government involvement [illegible] this field at least.

But it can be argued [illegible] taxes and benefits are [illegible] where the Government [illegible] rightly involved; that it is [illegible] "money-in-the-hand" [illegible] counts, not nominal [illegible] rates; and that Government involvement, at least at [illegible] bottom end, is justified.

Certainly, there is [illegible] acknowledging the "poverty trap" effect of tax rates [illegible] benefit abatements on low incomes and trying to [illegible] something about it.

It is perhaps ironic that [illegible] Prime Minister should [illegible] his new idea just a few days after Labour's Roger Douglas had proposed a scheme [illegible] complicated to go into here [illegible] deal with that problem [illegible] also took total "money-in-the-hand" as the guiding principle.

The Prime Minister [illegible] normally scathingly contemptuous of Douglas' [illegible] ceptual approach.

The Prime Minister [illegible] deserves some credit, too [illegible] deciding to do away [illegible] general wage orders [illegible] legislation. Marshall in [illegible] did it by regulation and so [illegible] the Labour Government.

It is heartening, too, [illegible] wage regulation power [illegible] under its own special [illegible] instead of being enacted [illegible] the obnoxious Economic Stabilisation Act as in the [illegible]

But not heartening to [illegible] his backbiting of Deputy Opposition leader Bob Tizard for trying to comment on [illegible] House announcement.

Page 6
Good news for the out-of-towner

Law-making exercise becomes face saver

by Colin James

IS legislation now really necessary for what is left of Prime Minister Rob Muldoon's "fiscal regulator", the power to initate income tax reduction while Parliament is not sitting?

That is the question left hanging by the deal done between Muldoon and his rebellious backbenchers last Thursday.

Under that deal:

- Muldoon was given approval to prepare the way for tax reductions by act of cabinet or a regulation"

BUT . . .

- The reductions cannot take effect until Parliament has passed legislation.

This was a substantial shift from the earlier suggested compromises — that Parliament should ratify the reductions after they have already come into effect.

It represents about a 95 per cent backdown by Muldoon, who had sought an unfettered Cabinet right to reduce taxes outside parliamentary sessions.

But some close to the battle were last week arguing that it is not necessary to give the Cabinet specific regulation-making power.

Under present law, this school of thought argues, the Cabinet could announce an intended decrease, the Inland Revenue Department could make preparations, such as printing tax tables, under ministerial authority and private and public sector paymasters could legally start adjusting their computers to bring the new tax rates into effect when Parliament approves them.

In other words — the Government backbenchers have given Muldoon no more power than he already has. He will have to call Parliament together to get his tax cuts into effect.

So why bother with enabling legislation for the fiscal regulator which will only give the Labour Party the chance to make embarrassing political hay?

Partly because the need for legislation is inconclusive but probably more importantly, to save face for the Prime Minister.

Two young lawyer backbenchers played key roles in the Cabinet climbdown.

First Paul East, the new MP for Rotorua, an impish but thoughtful man with an enviable reputation in the law and a burning belief in the need to reform Parliament and restore its prestige.

According to insiders, East objected to the fiscal regulator and said so — not just under his moustache over the teacups, but in the caucus meeting where it takes courage.

He offered two compromises: a requirement that Parliament ratify within one month any Cabinet-made tax reduction and-or a change to standing orders to allow Parliament to be called together to pass a tax reduction bill without the palaver of a formal opening and an Address-in-Reply debate.

His approach served two purposes. It opened a door through which came support from other backbenchers and eventually Cabinet Ministers — most notably Deputy Prime Minister Brian Talboys and Housing Minister Derek Quigley.

And it offered Muldoon a way to get off the hook.

East was the second new backbencher to take the Cabinet Establishment on in a major battle. In March Albany's Don McKinnon led the successful attack on Postmaster-General Ben Couch's courier scheme.

In both cases the rebels were fortified by pressure from the party grassroots. In fact, had a deal not been done last Thursday on the fiscal regulator, MPs would have got done over at the party conference at Christchurch last weekend.

Special provision was to have been made to allow the issue to be aired at the conference and there was little doubt in party managers' minds that the conference would have overwhelmingly condemned the proposal.

Enter the second new lawyer MP, Geoff Thompson, of Horowhenua.

Thompson spotted the hole in the fence. There is a time lag between a decision to change tax rates and the time the new rates can be put into effect — the time necessary to print tax tables and adjust computers.

Why not, he asked the July 19 caucus meeting of National MPs, call Parliament together between announcing the change and the implementation?

Last Thursday Inland Revenue Minister Hugh Templeton — a supporter of the regulator — turned up with a report from the department.

The report said the minimum period between announcement and implementation was two months.

That gave Muldoon his out. If it was going to take two months to get a new tax into effect, that spanned the period in December and January when he said he thought Parliament could not be called together.

So he conceded Thompson's point.

The concession was much bigger than he later made out. Muldoon has in the past resisted the idea of Parliament coming together at all in the December-April period.

As the controversy heated up, however, he retreated, narrowing his objection to two summer months and, at one stage, to the Christmas-New Year period.

By then the case for using the fiscal regulator without reference to Parliament was hard to justify at all.

As it is, there is still a bone for the constitutional purists to chew on.

On the strength of the Cabinet's say-so tax tables will be prepared and computers adjusted.

This will presume that Parliament will pass the necessary legislation — in other words, will be a compliant servant.

This is in fact what it now is. Under the present procedure the Government announces tax changes in the Budget and Parliament passes the necessary tax legilsation later.

In the meantime preparations can be made to switch to the new rates. In 1970 the payroll tax became payable before the legislation imposing it was passed, but because of the Budget announcement it was not considered therefore illegal.

The only real difference under the proposed procedure is that the announcement will take place outside Parliament — a diminution of Parliament's role, but not a major one.

There is an important saving provision for Parliment in the proposal as it now stands.

If at any time in the future Parliament is split three ways — as it was in the 1920s — and the Government could not be sure of steamrolling tax changes through, the formula now agreed on will mean the Cabinet will have to wait till it has got the legislation in its pocket before setting the computer programmers to work.

In such circumstances the real decision would be left to Parliament whereas as Muldoon's proposal originally stood the Cabinet could have ignored it for some months. East and Thompson have substantially achieved their object — to stop the slide of parliamentary authority.

Exchange rates

As at July 26 1979. $1NZ is worth:

Australia	.9051	Greece	37.03
Britain	.4422	Hong Kong	5.2693
Canada	1.1993	India	7.8440
Fiji	.8251	Italy	831.27
Japan	219.41	Malaysia	2.1842
West Germany	1.8488	Netherlands	2.0327
USA	1.0252	Norway	5.1041
Austria	13.59	Pakistan	9.9933
Belgium	29.59	Portugal	49.28
China	1.5645	Singapore	2.1861
Denmark	5.3001	South Africa	.8565
France	4.3117	Spain	67.39

Selling rates supplied by CBA Bank.

EDITORIAL

PRESIDENT Roosevelt began it with his regular "fireside chats", during which — through the medium of radio — he directly addressed the American people on the issues of the day. In this country, Labour's Prime Minister Savage similarly broadcast directly to the public during the 1930s.

For Savage, it was a straightforward matter to commandeer the New Zealand Broadcasting Service's facilities to communicate his thinking. After all, it was a Government department and he was Minister of Broadcasting.

Today, broadcasting is operated by an independent corporation. BCNZ chairman Ian Cross nevertheless has lofty notions that television and radio facilities ought to be made available to the country's leaders to allow them to broadcast to the nation "in order to provide information or explanation of events of prime national or international importance."

In broad principle, the corporation is to be commended if it proposes more effective enlightenment of the public by providing politicians with the time to spell out important policy changes and the reasons for them.

Above all, a democracy thrives best when its citizens are well informed about the competing claims to govern of the major political parties, and the public's political education doubtless is advanced more by exposure to Prime Ministerial rhetoric than to the antics of Wonder Woman.

But nobody should be allowed access to the media as of right.

Formal procedures are essential if Government politicians are not to gain advantage over their opponents through exploiting time allowed them on the influential television channels. Even a Prime Minister should have to convince broadcasting authorities of the importance of an issue which he wants to make public in this way, and the broadcasting authorities should have the right to decline such a request. And it should automatically follow that any such appearance by the Prime Minister or a Cabinet Minister must be balanced by a similar appearance by an Opposition politician.

Cross was among those who said last week he wanted to see formal arrangements fixed to cover a Prime Ministerial command performance. But his concern to set up proper procedures was *too late*. By then he had already been a prime participant in a sequence of events which resulted in Prime Minister Rob Muldoon effectively taking over both TV channels and the national radio programme to announce a 4.5 per cent general wage order and the repeal of the General Wage Order Act 1977.

And if — as Cross indicated next day — this was a precedent-setting and important innovation by the corporation, it was kept curiously quiet. TV1 editor of news Doug Eckoff was advised with only four hours to go that Muldoon would be appearing — scant time to make the appropriate arrangements. And when a newspaper reporter phoned him for explanations, Cross hung up. As a one-time public relations man, surely he better knows the simple basics of announcing a new plan.

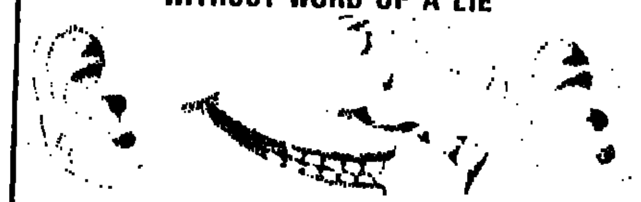
Just as curious was the fact that the follow-up questioning of Muldoon was undertaken by TV2's "Eyewitness", which cannot be received nationwide and so undermine any genuine attempt to give optimum coverage to the wages issue.

The belated offer of equal time to Labour's Bill Rowling further underlines the strong suspicion that the corporation's actions were hasty and ill-considered.

Above all, Cross should know the law. The Broadcasting Act specifies that the Government may take over broadcasting only "in the case of any national, regional or local emergency" to broadcast announcements it wants. Obviously, that clause is a safeguard against political abuse. And because the formal procedures which he now advocates have yet to be set up, there was only one proper response to be accorded the Government's overtures last week. That was a polite but firm no.

Bob Edlin

WITHOUT WORD OF A LIE



LET that be a lesson to you young man. According to INL managing director Alan Burnet, the group's illfated Women's Wear, which folded last year about six weeks after launching, "on balance went a long way to teaching young executives to be more cautious".

Burnet told INL's annual meeting the other day that the publication was the idea of young executives in the Waikato, based on the success of a similar concept in Australia and the United States.

In Burnet's view it was a risk venture, "but worth a go".

No extra staff was needed, there was no need for additional capital, and the group already had a distribution network. The main costs were in materials and time.

He was unable to give a precise figure of the loss, but thought it was about $60,000. Compared with industrial disputes in the last financial year, it was "a drop in the bucket".

Burnet said there was no question that the publication was a failure, and that there were errors of judgment.

He also admitted being partly responsible, which is a reasonable admission for the chief executive of a publishing group.

Perhaps the fate of Women's Wear went a long way to teaching older executives to be more cautious.

●

INNATE bureaucratic conservatism, which left Auckland's Club Mirage without urinals on its opening night (NBR May 9), has drawn a deep-throated chuckle from an expatriate New Zealander now enjoying the greater freedom made possible by another country's less clucky public servants.

As reported, the Auckland nightspot had to contain itself, as it were, because central and local government inspectors could not accept its installation of wall-type urinals instead of the "splash the boots" style they were used to. So, on opening night, these new-fangled gadgets were left lying on the floor while officialdom considered whether they could be allowed by its regulations.

Years before the expatriate had been in a similar spot: He had been operating a small, two-person Wellington bakery when he received a visit from the local body health inspector.

Alarmed at what he saw, the inspector called the baker to one side.

"You've got a woman working here," he said conspiratorily.

"Yes," said the baker.

"But you've got only one lavatory," said the inspector. "The regulations require you to have two — one for each sex."

"Well," the expatriate recalls his reply. "That woman is my wife. We use the same lavatory at home. Is that all right?"

●

WHEN managers gather to talk about New Zealand's falling productivity, the conversation often swings to motivation techniques and the Kiwi work ethic.

At this point managers frequently sigh, wishing themselves in the boots of American or Japanese managers with self-motivated work forces.

Americans live to work, but Kiwis work to live, or so it seems.

This sort of negative attitude to productive endeavour may be the mainstay of the ardent Kiwi trade unionist, but one would not expect it from a company known for its young and progressive management. Certainly not from Broadbank, what with free-enterprise economist and Planning Council member Don Brash at the helm.

But Broadbank is fund manager for Superannuation Investments Ltd.

The front cover of this fund's brochure carries the message: "Plan to stop work and start living".

The message is illustrated with a picture of a couple fishing from a pier.

●

HALF the 10 per cent fare increase Air New Zealand's domestic arm is seeking from the Air Services Licensing Authority is needed to pay the Budget's five cents tax on each litre of domestic aviation fuel.

Based on a 70 per cent load factor, the amount the tax would add to the cost of operations would depend on the type of aircraft used.

For an Auckland-Christchurch flight, for example, the fuel tax would add $2.34 to the cost of carrying each passenger by 737, $4.32 a passenger by DC10 or $5.23 a passenger by DC8. Thus DC10s and DC8s are not used on the route unnecessarily. But there's more to the tax structure than that.

As the airline has to pay 11 per cent of its gross revenue in airport and airways dues it has to ensure that increased fares are sufficient to cover this impost. Thus both Government and local authorities share an additional benefit from the fuel tax which will itself be taxed to pay them.

In its simplest terms, it can be shown that every time airline seeks to recover [illegible] expenses by raising its fa[illegible] has to ask for authori[illegible] charge the public $1.13 [illegible] it is to meet the addi[illegible] aviation taxation higher [illegible] will bring.

●

THE public servant had [illegible] having a quarter of his [illegible] nightly salary paid in[illegible] PSIS each pay day. [illegible] amount just covered the [illegible] monthly instalment he ha[illegible] meet on his mortgage.

Thus freezing the PSIS [illegible] placed him in a deeper financial situation when [illegible] six-monthly payment fell [illegible]

He approached a tr[illegible] bank with the request [illegible] tide him over. "Certai[illegible]" said the bank, "you can h[illegible] loan at 14.5 per cent inter[illegible]"

Reeling, the public ser[illegible] went to the newly reorgani[illegible] PSIS for help. It cou[illegible] advance any of his [illegible] funds, it explained, but it [illegible] help by lending him a[illegible] vance on his instalment [illegible] per cent interest.

The borrower default[illegible] his loan repayment. It w[illegible] cheapest way out. Inter[illegible] his unpaid instalment [illegible] charged at only 10 per [illegible]

●

WE are so glutted with [illegible] tricity that the Governm[illegible] effectively throwing the[illegible] away in the form of [illegible] sloshing over the tops of [illegible] too-many dams. But price[illegible] this abundant product [illegible] high that manufacturers [illegible] been maddened enough to [illegible] Energy Minister Bill [illegible] reconsider them.

In the meantime, they [illegible] get some joy from an elec[illegible] exhibition in Wellington [illegible] September.

The latest methods of [illegible] electricity, aimed at [illegible] creasing efficiency [illegible] economy, will feature [illegible] show. Exhibits will [illegible] displays of power [illegible] correction equipment, [illegible] monitors, temperature [illegible] devices and so on.

The show is being orga[illegible] by the Electrical Develop[illegible] Association.

BROCKIE'S VIEW

Editor: Bob Edlin. Editorial: Ralph Green (Production Editor), Rae Mazengarb, Colin James, Belinda Gillespie, John Draper.

Advertising Manager: Paul A. C. S. Loh. (P.O. Box 9344, Telephones 736-878, 859-019, Wellington.)

Auckland office: Editorial, advertising and distribu[illegible] inquiries: Warren Berryman. Telephones 885-885, [illegible]

Published by Fourth Estate Newspapers Ltd. 15 [illegible] Street, Wellington. Printed by R. Lucas & Son (Nelson [illegible]) Ltd, 15 Bridge St, Nelson.

BARGAINING skill is the key to many successful export deals.

But tired exporters, taking a break from negotiations in Hong Kong to do a little duty free shopping, are finding themselves no match for fast talking Nathan Road's traders.

One recent visitor, we are told, wanted a flashlight for a camera. Inquiring in one store he was told the list price was US$50 for the model he was seeking.

But the trader said: "I am willing to sell it to you for $25."

Our man, thinking he had a good deal, paid up. Later, to his dismay he discovered the ruling price for the same flashlight was $17 - $24.

Smarting from the discovery, he went to the local Consumers Institute. Their advice: "Trade is free in Hong Kong and so is sales talk!"

●

CONSTITUTIONAL lawyer Geoffrey Palmer's expected election to Parliament as Labour MP for Christchurch Central poses in itself a nice consitutional point.

Palmer was prominent in the four-day conference revision of the party's constitution in May. At the conference rank and file delegates made it clear they wanted MPs' role in party affairs cut back.

In a break with past practice, delegates elected not a single MP to a position on the executive or the policy council.

But Palmer, then a delegate from Karori (a noted working class suburb of Wellington) was elected to the policy council.

Will the man who has made such a fuss about constitutional niceties and the Muldoon Government's failure to observe them, take the conference hint and now withdraw from the policy council?

Or will he take the legalistic approach — that is, that the rules don't say he must too?

THE Fund of New Zealand's dissident unit-holders have given up the fight.

At last August's unit-holder's meeting they rallied 63 per cent of the votes in a bid to throw out the managers, Fund of New Zealand Services Ltd.

This year they won't bother spending the $500 on circulars to continue their four-year battle against the management company and the fund's auditors, Kendon Mills Muldoon and Browne.

It's not that they're satisfied. They're just tired fighting a losing battle.

They are still convinced that they were misled and locked into an investment that has been a loser ever since.

But all the Government departments they have approached have not produced a remedy.

Still, they did manage to have Doug Hazard installed as chairman of the management company.

While they are happy with Hazard, they would still like to get rid of the hangover of keeping the rest of the management company ... but circulars in search of proxies cost money.

Hazard recently informed unit holders that their units were now worth 7 cents less each — down to 128. Which must have produced a sad "ho hum" from all and sundry who have not been able to and still cannot sell their units at any price for lack of willing buyers.

●

AS the instrument of PM Rob Muldoon in disseminating his message through the media to the lost tribes, Broadcasting Chairman Ian Cross has earned the epithet "God's Boy", among his colleagues in the communications industry.

●

NEW Zealand got its priorities all wrong when asked to list 18 topics for discussion at the Commonwealth conference in Lusaka in order of precedence.

We made the lowest on the list the Gleneagles Agreement — likely to be a hot issue, one 'would have thought, in an African country.

But perhaps the powers-that-be thought that New Zealand's equivocal position on the sticky issue of sporting contacts might just disappear if they buried it deep enough.

Tough luck. Other countries didn't share the New Zealand view, and it came out fourth in the final list of priorities.

●

AS the two big rivals in the battle of the bottle debate, UEB Industries and AHI, prepared their submissions for Caucus committee consideration, a new voice brayed a warning of the ills that would follow drinking the daily pinta from cardboard cartons.

The July issue of Consumer carried a two-page condemnation of UEB's proposed flavoured milk and fruit juice cartons.

According to Consumer, AHI's milk bottle is "the unsung hero of our cheap, hygienic and practical milk supply", and UEB's cartons, (should anyone be foolish enough to let the consumer make his own choice), would be an environmental, social and economic disaster. Worse, it would mean big business for UEB.

The article, titled "Milk is big business . . . control the container and you control the product", claimed that New Zealand's town milk supply system — along with cheap milk — relies on the continued use of bottles.

In other countries, the introduction of milk cartons led to a breakdown of home milk delivery and increased prices.

There is evidence to support this, but the causal relationship between cartons, high prices and the demise of home delivery is not clear.

High milk prices in the United States and Europe are in large part the result of the powerful farm lobbies and heavy support prices — not just expensive cartons — a fact that apparently slipped the author's mind.

Also missing was an answer to the question: why can't milk be delivered to the home in cartons? Cartons are much lighter than bottles. They are square, and so save space on the milk truck.

Needless to say, the men at UEB are a bit sour about the article. They say the author wrote to them requesting information, and later sent them a draft copy of the article, to which they replied, correcting some of her facts.

But statements such as "Energy cost comparisons of manufacture and filling (including cleaning and return transport of glass bottles) come out in favour of glass" went to press unchanged, despite UEB supplying figures to the contrary.

UEB claims the cost of a bottling line capable of handling 12,000 milk bottles an hour is about $800,000, including about $200,000 for the bottle washer alone.

A carton-filling machine producing an equal volume would cost only $230,000, according to UEB.

As for energy saving, UEB points to the thermal losses in hot water used to wash bottles and high transport costs carrying bottles which weigh more than their contents.

●

UEB has been researching its carton project for some years. But the author didn't talk to them, either in person or by phone, company chiefs claim.

She did talk to the pro-AHI people at Trade and Industry. And Consumer's stance turned out to be identical to that of Trade and Industry, which has opposed UEB all along, but in good civil service tradition has confined its lobbying to behind-closed-doors situations.'

The fact that Consumer is partially funded through Trade and Industry apparently did not come into it. The author was obviously concerned with the social and environmental aspects of replacing a 100 trip reusable bottle with a carton that would up, once used, on the rubbish tip.

Fair enough, so long as the cost-benefit analysis covers the other side of the story — which it did not.

Since writing the article, Crayford has gone on to work for the Human Rights Commission. We trust that her paternalistic zeal to protect the consumer from an untried product can be reconciled with advancing the cause of civil liberties and individual freedoms.

●

A SIX-MAN delegation leaves tomorrow (August 2) for Iran to finalise details of a lamb export deal with Ayatollah Khomeini's Islamic republic.

The Iranians were originally expected in Wellington. But at the Teheran Government's request, the five-man delegation which opened negotiations earlier this year — with another meat exporters' representative — is going back.

The outcome will be keenly watched in London as well as Wellington. An agreement to supply Iran with up to 50,000 tonnes of lamb a year, worth up to $100 million, is seen as the most important sale for next season and the immediate prosperity of the meat industry.

Lamb sales in Britain are sluggish and the normal price relativities between frozen lamb, fresh lamb and beef have been broken.

New Zealand lamb usually sells for 4p-5p a pound less than the fresh domestic product. Now the difference is up to 13p a pound, 29 cents a kilo.

London traders are reluctant to buy when they see New Zealand lamb prices going even lower if the Iranian deal falls through.

There are problems to be overcome by the delegation. Price is certainly one.

The Iranians want a long-term contract with fixed monthly deliveries and limited price review. New Zealand exporters want more price flexibility.

Shipping is another important point to be discussed during the three days of talks with the Iranian Meat Organisation. There had been problems unloading in the Gulf ports before the Shah was deposed.

More recently the Arab population at Khorramshahr has rioted against the Government's rule threatening further disruption to shipping.

In response to Iranian pressure to deal with the New Zealand Government, the Meat Board has declared the country a developing market, giving it statutory control over sales.

Exporters will still be able to negotiate with the Iranian Meat Organisation but the board will have the final say and the right to veto deals.

Recently New Zealand exporters have been warned not to sell to middlemen from Europe who are already offering the Iranians supplies of New Zealand lamb at low prices.

It is suspected that these middlemen, who also trade in live sheep from Eastern Europe to Iran, are trying to use New Zealand lamb as a temporary loss leader to corner the trade.

Synthetic gasoline option stacks up support

THE decision by motor vehicle manufacturers to plump for synthetic gasoline as the most sensible major use for Maui gas has given powerful support toward this particular energy development alternative.

There was already strong support in some Government quarters for the synthetic gasoline option with Energy Minister Bill Birch saying that New Zealand, along with other countries, would take security of supply into account along with comparative pricing when designing an energy strategy for the future.

There are three major options facing New Zealand for the use of Maui gas, now that there is general agreement that LPG and CNG should be largely restricted to use by operators of fleets of vehicles.

BP is proposing a $400m methanol plant. About three-quarters of the production would be used as a petrol extender in a blend 85 per cent petrol - 15 per cent methanol. This would take 23 per cent of the Maui production.

This option — M15 as it is known — does not meet with the approval of the country's car makers.

Vehicle Manufacturers' Association president Denford McDonald warns that while this alternative appears simple, the long-term effects on car engine and parts of methanol use are not fully understood.

According to McDonald, the methanol option is not being seriously considered elsewhere.

"Thus to turn to methanol at this stage would be to cut New Zealand off from the mainstream of engine development and, in effect, halt engine technology where it stands," he said.

His other concern is that overseas suppliers of car parts, on which the New Zealand assembly industry is totally dependent, are emphasising ethanol, not methanol, in their research and development work on petrol blends.

McDonald said methanol attacks the paint finishes and plastics in a motor vehicle. "Methanol will strip the coating from the inside of a fuel tank within weeks and will do the same with fuel lines. It will destroy the adhesives in fuel filters and has a bad effect on the diaphragms in petrol pumps and on a car's gaskets."

While new cars assembled after 1983 could be made compatible with methanol blends, McDonald said the point of this fuel saving alternative would largely be lost by the problem and difficulties involved in converting existing fleets.

It is generally agreed that LPG and CNG are suitable mainly for the fleet operator of motor vehicles where the distances travelled are high enough for the conversion costs to be recovered in a reasonable time. The private motorist does not qualify under this criterion.

Shell put forward an option which basically offers to swap Maui gas for petrol.

The proposed deal is for the export of the gas in a liquefied form which would then earn New Zealand the dollars to buy petroleum at the prevailing world price.

The Government may not have any major qualms about exporting a major natural resource, but the thrust of its energy policy so far has generally been to make New Zealand relatively more self-sufficient.

To take the Shell route as the major use for Maui would be to remain locked into Opec pricing manipulations with the added problem of dependency on world markets for LNG to fund our petroleum imports.

The feeling is the equation of "gas for petrol" may not always work out right for New Zealand. But that does not rule out a smaller scale project than the initial Shell proposal.

But vehicle manufacturers are pinning their colours to the Mobil masthead with its plan for synthetic petrol — syngas as it's called.

To watch the Mobil technical chief on television, the process is deceptively simple. Take some methanol, pour it into a tube holding the magic ingredient (the secret Mobil catalyst) and out flows petrol and water at the other end. Separate them and bingo — the country's fuel problem solved.

Technical questions apart — and the experts are still arguing about whether the process is technically and economically proven — the syngas option has one very big advantage.

"Synthetic petrol would provide strategic protection of the national transport fleet and insulate it to a certain degree from whatever may develop in international oil markets," McDonald said.

Assuming that about 20 per cent of New Zealand total fleet of 1.3 million vehicles can be converted to LPG CNG, McDonald sees syngas as fueling another 50 per cent.

That would give the country 20 years' use of the Maui field beginning in 1985. After 2005 the use of Maui for that purpose would have to stop.

By 1995, McDonald sees the necessary long-term work on our coal reserves and bio-mass techniques having been completed, and the job of converting those feedstocks into syngas could then start, phasing out the use of Maui over the 10 years to 2005.

Converting Maui gas to methanol and then into syngas is pursuing the line of least disruption to present lifestyles, particularly our use of motor vehicles and, to that extent, the manufacturers' preference for syngas is self serving.

But the Government may see this as good thing. Combining considerable independence of fuel supply, at least until the turn of the century when oil use will be winding down internationally anyway, with only minor changes to the structure of New Zealand society, is a politically attractive combination, especially for a conservative Government.

In the short-term, the motorist will just have to grin and bear any other oil price hikes and supply hiccups that come along.

No one has any alternative until about 1985 at the earliest, even assuming that the necessary decisions are made tomorrow, and their implementation goes without a hitch.

NZ goes it alone in American tourism travelling road show

NEW Zealand is aiming to double the number of tourists coming from North America over the next five years, and is planning a series of promotional tours to help achieve this.

The first of these campaigns starts in Honolulu in mid September and covers 14 cities on a month long swing through the West Coast, the South West of the United States, and two Canadian cities.

This year's campaign, costing $110,000, will feature what the Tourism Minister Warren Cooper describes as "seven of New Zealand's leading entertainers".

Last year's blueprint report from the Tourism Advisory Council identified North America as the "market which undoubtedly has the greatest potential for New Zealand tourism".

It urged that "New Zealand should expand its market presence in North America with an increase in the level of consumer advertising of promotions".

To the end of March this year, 72,400 visitors came to New Zealand from North America, which accounts for nearly 20 per cent of all our inward tourists.

Nearly 59,000 were from the United States and the area covered by the promotion takes in the major cities from which these people originated.

The campaign is being coordinated by the Tourist and Publicity Department which is kicking in the bulk of the money.

It's putting in $85,000 with Air New Zealand and Continental Airlines contributing $15,000 each. Mount Cook Airlines has come across with $7500 and 15 other tourist operators are paying $500 each for the right to be included with the travelling party.

A large promotional party will start their month long tour in Honolulu on September 17 and travel to San Francisco, Los Angeles, San Diego, Phoenix, Houston, St Petersburg (Florida), Miami, Washington, Toronto, New York, Chicago, Seattle and Vancouver.

Dubbed the "Come on to New Zealand" show, a new National Film Unit film backed by seven entertainers will make a two hour presentation for the public and travel trade groups.

The promoters are expecting 40,000 of the American and Canadian public to turn up for the 15 consumer presentations, to see what Cooper describes as "an exciting and imaginative image for New Zealand".

Backing the film and the chat from front men will be entertainers Howard Morrison, Rob Guest, Derek Metzger, Tina Cross, Kim Hart and Adelaide and Trevor Maxwell.

Mayors at each of the 14 cities visited will be asked to declare the day the show is in town "New Zealand Friendship Day", and the entertainers will be pushing to get on local radio and TV shows to give the message that New Zealand is a great place to visit.

New Zealand is going it alone in this promotion following a breakdown in relations with the Australians over plans for a joint deal. (NBR March 14.)

The Australians have shunned New Zealand in recent months despite the two then Tourism Ministers announcing simultaneously last year that there would be a joint promotion in the United States this year.

Since that announcement, the Australian and United States Governments have concluded a point to point cheap fares agreement which does not allow stopovers and positively penalises trips to side destinations.

But New Zealand tourist interests still hold to the former axiom of the North American market, that the South Pacific must be promoted as a whole destinational area, and in particular, that any country trying to go it alone would be swamped in the massive United States travel market.

There are some signs that elements in the Australian industry are coming back to this point of view, but any change of heart will be too late to affect this year's effort by New Zealand.

Tourist and Publicity Department head Mike Roberts hopes to mount one campaign a year in the United States over the next five years as part of an effort to double incoming North American tourists. There'll be a good deal of attention paid to what results this year's tour achieves.

Gair goes to brink but fails to take plunge

by Belinda Gillespie

HEALTH Minister George Gair has met pharmacists, pharmaceutical manufacturers and doctors for discussions on how to cut the country's drug bill.

The question of pharmaceutical costs has been thrashed out under various Ministers of Health.

And like his predecessors Gair went to the brink but failed to take the plunge into imposing some form of prescription charge.

He ran through the variations to the meeting last week — such as a flat charge on each prescription, a percentage charge, the Government to pay the full cost of important medicines, half of the "moderately essential", and make the patient cough up for his own cough mixture and other minor medicines.

Why not a prescription charge anyway?

Opinions among professionals are mixed, but there is some support for the idea from pharmacists and doctors.

The area is emotive, and popular feeling has been the main deterrent to imposition of a charge.

While the patient has progressively paid a greater proportion of his medical bills, and the Government increasingly has transferred to the private sector the costs of public services such as transport, food, power and postage, the pharmaceutical benefit has remained virtually intact — perhaps to the point of being a sacred cow. Various reviews of the cost of the pharmaceutical services have failed to identify mismanagement, extravagance or other areas of potential economies.

A 1974 review under a State Services Committee found the New Zealand system of providing free medicine very efficient compared with other countries, characterised as it is by "low cost administration, voluntary specialist assistance from the medical profession and a high degree of professionalism."

Gair admitted that to some extent he was thrashing a dead horse. Prescriptions had risen in cost from $0.33 to $4.68 each, and in yearly numbers per head from 2.1 to 7.7 since 1943 — "but these merely represent the changes that have occurred — in the expectation of good medical care being available to all, the changes in the value of money, and the changes towards more complex and more expensive new medicines".

Similarly, he pointed out, pharmaceutical benefits had remained at a fairly constant level as a percentage of total health expenditure, and in the same relation to gross domestic product and consumer price index.

"I cannot watch the growth in pharmaceutical bills by 16 per cent a year compounded," he said.

Yet pharmacists say that drugs, manufactured overseas are more sensitive to inflation than most items on the health budget.

Gair referred to New Zealand's position at the receiving end of the drug chain, and consequent susceptibility to price rises elsewhere in the world, and the fact that multi-national drug firms charge different prices to different countries.

He touched on "parallel importing" — the system now operating here where medicines are bought wholesale overseas and sold here at prices lower than those charged by the local agents of the original manufacturers.

He suggested two alternatives, neither likely to make those in the pharmaceutical trade jump for joy. Either "buy where we can at the best prices available and deal with the necessary testing for quality ourselves," or "lay our cards on the table" and ask the pharmaceutical manufacturing industry itself to help bring prices down.

The medicines themselves, Gair said, cost $65.5 million, and distribution costs added another $47.7 million.

"This is indeed a very large expenditure for distribution only and is shared between wholesalers ($13 million) and retail pharmacists ($34.7 million)."

Other economies suggested by Gair were in the areas of the wide variations in prescription costs between doctors, in the teaching of prescribing to young doctors in the hospital situation, and finally in reducing the patient expectation of an inevitable prescription with every doctor visit.

If the total cost of pharmaceuticals and their administration resists cost-cutting because increases are tied to inflation, not inefficiency, efforts in this area are likely to result in buck-passing, rather than significant economies.

Wellington Hospital's hopes of a $369,000 saving on its drug bill is a good example. Most of this, will be achieved by restricting the drugs prescribed by the hospital pharmacy, forcing outpatients to have their prescriptions filled outside.

Dr John Phillipps, the Health Department's deputy director of clinical services, has said that such moves would probably increase the country's total drug bill.

Hospital pharmacies — with no mark-up, dispensing fee, and container allowance — are much cheaper than retail outlets.

The restriction on the free prescribing of tranquillisers, which comes in today, was referred to by Gair as an example of his new scheme to get better value for money.

But tranquillisers are relatively cheap, and patients who have to return to the doctor each month to get a new prescription for medicine which was previously available on extended supply, will add $4 to $5 in costs to the Government to the $4 cost of their pills.

Any savings becaus[e] reduction in over-prescri[bing] or reduction of waste by [the] patient, are speculative, [...] against the real costs of doc[tor] visits by people with a c[...] need for tranquillisers.

Those who attended [the] confidential meeting said the[y] were not able to comment [on] its outcome, though there [was] agreement that the spirit [was] generally co-operative.

Ross Martin, executi[ve] director of the Pharmaceuti[cal] Association, had sugges[ted] that an area of potenti[al] savings could be in mak[ing] more medicines available o[ver] the counter, thus mak[ing] better use of the expertise [of] the trained pharmacist.

Better consumer [in]formation as to what remed[ies] are available on a [...] prescription basis would [...] cut costs in reducing [...] visits and getting the c[on]sumer to pay for [...] medication.

Halving the numbe[r of] pharmacies could doubl[e] turnover, and allow che[...] to reduce the mark-up [on] drugs.

But the loss to the [com]munity in terms of an effic[ient] delivery service of both ad[vice] and goods would be so g[reat] that the Government [is] unlikely to consider suc[h a] move.

Dr Bryan Jew, chairma[n of] the New Zealand Med[ical] Association, said before[...] that the doctors' [...] stance is that it is not [the] profession's business who p[ays] for the drugs.

The decision to pro[vide] drugs free to patients w[as a] political one, taken a long [time] ago; doctors could be [...] into a defensive role [if the] State attempted to [...] their ability to prescr[ibe or] intervened in decision[s bet]ween doctor and patient.

Wages out pace prices despite Govt controls

by John Draper

FREE wage bargaining has been a luxury enjoyed only briefly by trade unions throughout the 1970s.

For a few months in 1973, and since last year, the unions have had a broad freedom to negotiate basic wage rates with employers.

But despite Government efforts to hold down pay rises to single percentage figures, average wage rates have consistently moved at more than 10 per cent throughout the seventies.

During the 1960s wage rates moved up by an average 4.8 per cent.

The current decade got off to a roaring start with a 13.6 per cent rise.

In response to employers' pressure to hold down wages and union pressure to hold down prices, the Government introduced the Stabilisation of Remuneration Act.

Since then, the ground rules for unions seeking wage increases have been changed a number of times.

WE CAN BARGAIN, BROTHERS . . . so long as we don't ask for too much.

- ●March 1971: Stabilisation of Remuneration Act made awards and agreements last at least 12 months. Remuneration Authority required to make cost of living orders based on movements in consumer price index as at June 30, 1971 and December 31 1971.
- ●July 21, 1971: 4.8 per cent order
- ●January 31, 1972: 9.1 per cent order to incorporate previous 4.8 per cent rise.
- ●October 26, 1972: 4.2 per cent order to apply to minimum award rates only. By agreement could be extended to other rates.
- ●December 1972: Labour Government abolishes Remuneration Authority, allowing a return to free collective bargaining.
- ●August 1973: Economic Stabilisation Regulations—6.5 per cent wage order limited to $5.80 a week. All awards to run for at least 12 months Wages Tribunal established to remove any serious anomalies created by regulations and also to consider wage increases based on productivity gains.
- ●February 11, 1974: 2.7 per cent wage order.
- ●July 1974: Wage Adjustment Regulations—9 per cent wage order plus a negotiable 2.25 per cent increase. Industrial Commission empowered to make increases beyond 2.25 per cent. Employers Federation and Federation of Labour could ask commission every six months to make cost of living wage orders based on consumer price index.
- ●January 15, 1975: Commission makes 4 per cent wage order, on first $75 a week of earnings. Extra 2.25 per cent negotiable.
- ●July 9, 1975: 11 cents an hour, $4.40 a week or $230 a year added to pay rates. Extra 2.25 per cent negotiable.

January 26, 1976: 9 cents an hour, $3.60 a week or $188 a year added to wages by the commission. Provision for extra 2.25 per cent removed.

- ●June 25, 1976: 7 per cent rise to a maximum of $7 a week, $365 a year.
- ●March 14, 1977: 6 per cent added to ordinary pay rates excluding cost of living allowances made by previous order.
- ●August 1977: Wage Freeze lifted.
- ●April 17, 1978: Arbitration Court replaces Industrial Commission with powers to make general wage orders. Also provision for free collective bargaining.
- ●July 4, 1978: General wage order of 7 per cent.
- ●July 24, 1979: Prime Minister Robert Muldoon announces end of Arbitration Court's powers to hear General Wage Order applications. Wage regulations threatened if trade unions strike in support of "excessive" wage claims.

	AV WEEKLY WAGE *	PER CENT INCREASE	CPI +	PER CENT INCREASE
1971	$57.05		496	
1972	$62.63	9.78	523	5.44
1973	$71.82	14.75	576	8.22
1974	$85.63	19.23	648	12.50
1975	$97.33	14.83	750	15.74
1976	$109.75	12.76	867	15.60
1977	$120.40	9.70	1000	15.34
1978	$140.65	16.82	1101	10.10
1979	$153.45	9.10	1117	1.45

Source:
* Labour Department October survey except 1979 — April
+ Statistics Department December Quarterly Index except for 1979 — March

Permanents catch up lost ground in money race

by Rae Mazengarb

PERMANENT building societies—previously lagging well behind their terminating brothers in the money race—appear to be making a comeback.

Membership has risen from 55,433 in 1975 to more than 89,000 last year.

Gross share subscriptions with the permanents were up 9.6 per cent and deposits rose 42.3 per cent last year, bringing total funds to $246 million.

This compares with the $446 million total funds of the terminating societies.

Since being dominant about 35 years ago, the permanents have been unable to match the competition of the other institutions. For a while they appeared to become moribund, while the terminating societies became increasingly popular, especially in Auckland

The permanents remained strong in the deep south, however, but lately there has been a resurgence of growth mainly in the call money area.

Some observers say the societies — as a group — are "doing well", compared with their performance just a few years ago, when some of the small ones appeared to be struggling to maintain funds.

And it appears they are taking steps to maintain their liquidity in the midst of an interest rate war which has hotted up recently.

The societies are specially attractive for the small investor because of high interest rates for short-term shares vis-a-vis the savings banks and because interest is paid on a daily basis.

The Registrar of Building Societies Annual Report shows there has been an increase in the share-debt ratio over the 1976-1979 period, from 61 per cent to 66 per cent on an increase in total liabilities from $156.4 million to $246.3 million.

But the large increase has been in the short-notice area.

The report shows "other" shares increased from $61 million to $129 million over the same period. This item, the report notes "comprises mostly shares which are payable in full on application, and which may be withdrawn by members on certain conditions".

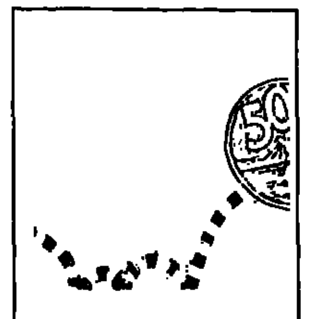
The figure represents an unstated proportion of shares that are withdrawable at short notice, but also includes fixed term shares (up to five years).

Few assets are tied up in land and buildings, and though advances on mortgage stand at $186 million, the report shows in the last financial year some $41 million was received by the societies in repayments.

The current boom may relate to the fact that the societies are exempt from the requirement to issue a prospectus. But more likely it's because the societies operate what one observer called "psuedo savings banks" -- the shopfront type operations which are on the increase.

And though the moves in the last Budget appear to work against the societies, so too they may have given them a boost.

According to Vin Maffey, president of the Permanent



THE MONEY MARKET

Building Societies Association, some societies have already noticed an improvement in the flow of redeemable and savings shares and attribute this to the Budget.

Previously the societies — along with savings banks — were able to attract the investor because of a $300 income tax exemption for interest ($200 more than interest on investments with other institutions).

That has been replaced by an across-the-board exemption of $200, but though at first sight the move appears to cut the building societies' advantage vis-a-vis other savings institutions, in fact it appears to have helped

Previously the exemption extended only to deposits, said Maffey. Now it extends to all returns on shares, including savings shares, and this is a key growth area.

Permanent societies should not be confused with the terminating societies.

The outstanding difference between the two is that terminating societies conduct ballots. They obtain most of their funds from periodic subscriptions and generally members must subscribe for a minimum period of 10 years.

As funds allow, ballots are held for interest-free loans or a tax-free lump sum payment in lieu.

But no interest is paid on the shareholders' contributions, although the members do participate in any profits that are made.

.Some permanents operate contractual shares but in the main their operations are of the "savings bank" type. They make loans available to members on application.

They pay interest on these deposits, but can't raise their rates too high without increasing mortgage interest rates.

Of the 43 registered permanents, only 12 have made real impact, holding some 87 per cent of the assets of the entire movement.

Further growth is likely to come from them.

There is a move toward merging some of the smaller societies which the societies' association has openly encouraged.

The New Zealand Permanent, for example, is the result of a merger among small societies, so, too, is the Hawke's Bay Mutual Permanent Building Society.

The growth area for the permanents is in 7½-8 per cent call money. Yet some 85 per cent of the permanents' funds is theoretically available for housing loans — since the public sector ratios are less than 15 per cent, moving up to that level at 1 per cent a year. This raises the question of investor protection.

Superficially an organisation which borrows substantially at call and lends on terms ranging from five to 30 years is a hazardous operation.

But world-wide experience of permanent building societies has been highly favourable according to Edward O'Brien, deputy registrar of building societies.

As long as they can meet market interest rates there is no reason why their funds should not continue to flow in.

And Robin Clulee, secretary of the Permanent Building Societies Association, said, that in practice only a proportion of the funds are on call; call money, to date has been stable. The rest is borrowed on terms of up to five years.

Further, the national average for mortgages works out at around seven years because people move, so many mortgages are paid back early.

Because the mortgages are table ones, there is a constant inflow of funds via repayments.

Though 85 per cent of funds is available for housing, in practice most societies have about 30 per cent in liquid funds, said Clulee.

The Registrar of Building Societies, Kelvin Prisk, agrees that in theory the permanents—unlike the terminating societies—could run into liquidity problems.

But the big fast-growing permanents are keeping high liquidity ratios because they know they are at risk, he said.

Two things can happen to the societies—they can have liquidity problems; or they can suffer losses, for example from fraud.

In most societies' rules there is a backstop. They might state, for example, that the maximum amount which can be refunded in one month is limited to half the mortgage repayments in that one month. Such rules could help in the case of an emergency.

There is provision in the Building Societies Act to cover the possibility of liquidity problems.

Section 60 provides that where it appears to the Registrar that any society is in financial difficulties he may, with the consent of the Minister of Finance, authorise any other society to lend money to the one in trouble.

English legislation goes further, however, so that other societies can make good the deficits of the society in trouble, without that society having to pay back the money.

Prisk pointed out the New Zealand provision has never been used.

It is likely the New Zealand act will be amended to incorporate recent overseas provisions for investor protection. Right now the legislation is under review.

Input focus extends assistance options

by Peter V O'Brien

PETER O'Brien's first article on the Irish Industrial Development Authority considered the organisation's structure and conceptual approach to industrial development. The application of the structure and concepts to practical action is the subject of this article.

NEW Zealand has a system of tax relief and incentives to assist export-oriented companies. We take the view that assistance should be given in relation to the outputs, rather than the inputs of a manufacturing company.

The Irish combine input and output assistance in industrial development programmes. The 10 per cent corporation tax which applies from 1979 until at least the year 2000 relates to output.

The input assistance is provided in programmes designed to attract foreign investment, particularly if it is export oriented or will assist regional development.

The "Domestic New Industry Programme" is the main scheme for locally based companies. It deals with new projects and expansion by existing firms, covering re-equipment and modernisation investment, R. and D. projects, small industries, joint ventures, product and process identification, and enterprise development.

The IDA approved 160 new domestic projects in 1977, with a fixed asset investment of 73.6 million pounds, an IDA grant commitment of 24.4 million pounds and a potential of 7707 jobs. The largest investment was in the metals and engineering sector, which accounted for about half the fixed asset investment, grants and job potential.

A re-equipment and modernisation programme promotes investment in new plant and equipment to raise efficiency and make industry competitive with other countries. It is accepted that this programme may result in short term job losses, but it improves competitiveness and "creates a sounder base from which to launch future expansion".

Intense competition in the European processed food industry explains why 67 of 170 approvals under this scheme in 1977 related to the food sector.

The restructuring programme may seem strange to New Zealanders, accustomed to cries of monopoly whenever takeovers and mergers take place. The programme assists rationalisation through the encouragement of and assistance in such corporate activity.

"In the case of desirable mergers or acquisitions "the IDA" can make a grant towards the reduction in interest payable on a loan . . . and guarantee the repayment of money borrowed in connection with such a merger or acquisition".

The "Rescue Unit" assists firms in difficulties, and provides finance for replacement projects for firms which have either gone into receivership or closed down. These projects are examined with considerable care, particularly in relation to management skills.

Product and process development, and small industries programmes, are self-explanatory, and have their counterparts in this country. In product and process development there is a grant of 50 per cent of the cost of developing a single product or process up to 100,000 pounds of expenditure on each project.

In 1977 the IDA gave grant assistance of 1.3 million pounds (about $2.76 million) for 181 projects. This is similar to the $2.1 million approved for 102 projects under the DFC's applied technology programme in the nine months to March 31, 1979.

Two programmes relevant to overseas investment are run under IDA auspices.

The "joint venture" programme encourages the establishment of new manufacturing operations through partnership agreements between Irish and overseas firms, usually involving the introduction of new technology to the Irish firm. The incentives also apply to these activities.

A "project identification programme" is connected to foreign investment. It identifies new manufacturing opportunities and channels them into the country.

An overseas industry programme covers the introduction of overseas companies as entities, as opposed to joint ventures.

The service sector is included in the system of incentives and assistance to industry. The programme relates to organisations setting up in Ireland to conduct work in other countries.

Civil engineering, architectural, and contracting firms are examples. The programme approved [illegible] service projects in 1977, of which 17 were overseas firms seeking a base for offshore work.

A duty-free industrial park at Shannon in the west of the country is an important element in industrial development. The scheme allows companies to import materials duty-free, process them in the industrial park and export the final product.

The park has attracted about 80 firms from many countries including the Fletcher aircraft organisation from Hamilton. Other New Zealand companies taking advantage of the IDA's development schemes are [illegible] McL. Wallace (milking machines in a joint venture) and Auckland based Cyclone Industries N.Z. [illegible] (weathershields for car windows in a 75 per cent owned operation). Other companies may follow in future. [illegible] activity has resulted in massive growth in Irish exports and a rapid rise in [illegible] GNP.

Every country has to develop its own activities in industrial development, particularly the introduction of new technology from overseas. The New Zealand outlook would probably be opposed to large scale non-repayable grants to industry, given our present base of development.

But there are several elements in the Irish system which could be adopted usefully here. They are superior to an "investment unit" based in Trade and Industry which will reflect the attitudes and lack of industrial experience inherent in organisations which are departments of State first, and industry oriented development promoters second.

Analysing annual accounts

by Peter V O'Brien

THE Government dislikes inflation adjusted accounting, but the auditors of Donaghys Industries Ltd, Dunedin-based cordage, textiles and food manufacturer distinguish between historical cost and the proposed system.

Donaghys' auditors certificate says that the accounts "give under the historical cost convention (including the revaluation of certain assets) a true and fair view . . ."

The auditors are the nationwide, Barr, Burgess and Strewart, which uses this expression in certificates for other companies (Steel and Tube Holdings Ltd, for example). It will be interesting to see if the practice becomes widespread.

Donaghys 1979 report shows a strong financial position. The company had a proprietorship ratio (shareholders funds to total assets) of 62.1 per cent at March 31, compared with 57.6 per cent in 1978. The relationship is below the unusual 70.9 per cent recorded in 1977, but there was a sizeable writeup of fixed assets in that year.

The group earned 13.1 per cent on shareholders funds, slightly below 1978's 13.9 per cent, but still ahead of figures recorded in the previous three years.

Land and buildings were written up to 100 per cent of current valuation during the year, to provide an additional sum $699,000 for the assets revaluation reserve.

In the statement of accounting policies accompanying the report, the company says: "The historical cost basis of accounting has been used in the preparation of these financial statements, except for land and buildings which have been revalued to independent valuations carried out in 1979. This represents a change in accounting policy. In previous years Land and Buildings were valued for accounting purposes at 90 per cent of Independent valuations".

The company therefore is adopting part of an inflation accounting principle. The "independent valuation" receives no further comment in the report, but it is probably current market value, rather than replacement cost, which is why the expression "part of principle" is used in the previous sentence.

Donaghys is another example of unsatisfactory taxation disclosure. The group's tax provision, including an amount for deferred taxation, arising from timing differences on depreciation, was 35.4 per cent of pre-tax income this year, compared with 29.4 per cent in 1978. Part of the difference relates to removal of the stock adjustment allowance, worth $128,000 in the previous year. If the amount were written back to the 1978 accounts the tax to pre-tax relationship in that year would be 36 per cent.

The company benefits from tax concessions on export earnings. The latter were 88 per cent ahead of 1978.

But the accounts fail to give a breakdown of concessions from various sources. "The provision for tax on the current year's earnings is calculated after taking advantage of tax concessions on export development expenditure, export sales incentives, investment allowances and depreciation allowances".

The reader is unable to see which concession or allowance provided which benefit, and is further hampered by the lack of figures for export earnings, although total sales value is included in the accounts for the first time.

Turnover was $22.7 million, and net profit represented a return of 6.4 per cent on that amount. It is impossible to consider this return in comparative terms, because turnover figures are absent from earlier reports.

Excluding the matters just mentioned, the overall standard of the report is reasonable, particularly the comments accompanying the accounts, which set out the group's trading experience over the year, and give appropriate explanations of movements in balance sheet items.

Donaghys is one of the few companies which has no bank overdraft. Short — term bank debt of $1,216,000 in 1978 was changed to a credit of $559,000 this year, although that happy state may alter in the current term.

The group raised debenture funds in late 1978 "to take advantage of the favourable market conditions which existed".

Registered debenture stock is $1 million higher than in the previous year. The decision to raise the money was soundly based, given recent movements in interest rates. Donaghys' top rates range between 12 per cent and 12.625 per cent, compared with current industrial debenture offerings in the region of 14 per cent, after allowance for sub-underwriting fees for private placements with institutions. The rate in the secondary market is beyond 14 per cent, but a deduction for brokerage over the life of the stock has to be made in those cases.

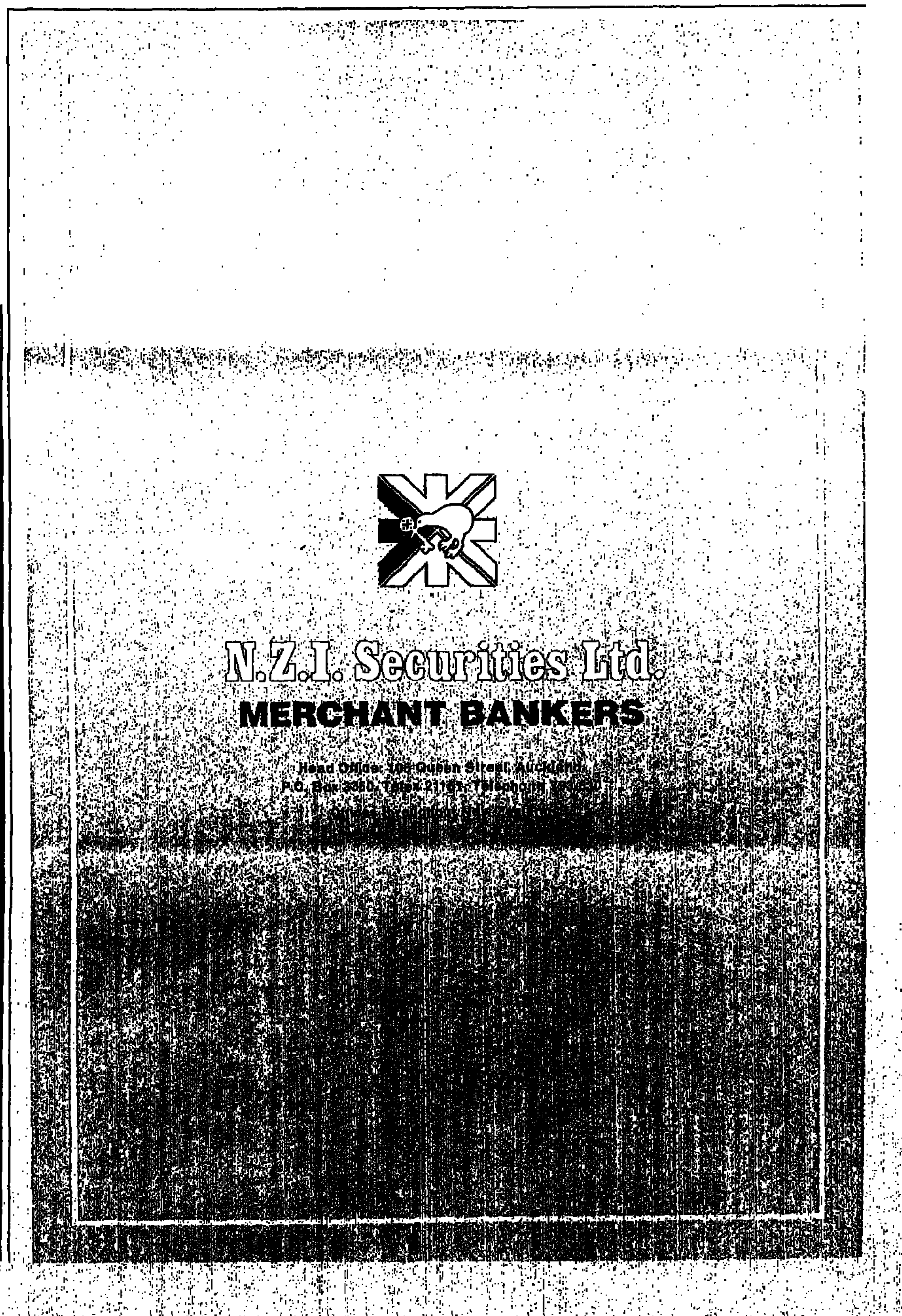
Stock and work in progress is always a sizeable proportion of Donaghys' consolidated accounts, being 36.7 per cent of total assets at March 31, 1979, compared with 43.1 per cent a year earlier.

The company says that "finished product inventory levels mainly reflect the necessity of stockpiling to accommodate the seasonal requirements of the agricultural industry. Finished stock was 46.3 per cent of stock and work in progress at balance date, as against 40.6 per cent in the previous year. A lower value of raw materials, although prices have been increasing, probably relates to internal controls, and could have something to do with removal of the stock adjustment allowance. The company notes that rapid movements in commodity prices will affect stock funding this year.

Group cash flow as a percentage of total assets improved in 1979. Cash flow was 10.98 per cent of total assets at balance date, compared with 10.08 per cent in the previous year. The figure is reasonable, and indicates that Donaghys is generating cash in line with the total investment in the company.

Key indicators

		Current Period	Previous Year	Per Cent Change
Consumers Price Index — all groups base Dec 1977 equals 1000	June 79 qtr	1177	1047	-12.0
Building Permits Issued	Feb 79	$91.7m	$67.7m	-39.0
	Feb 79 yr	$1120.1	$1106.7m	+1.2
Official Overseas Reserves	May 79	$1043.5m	$972.0	+7.3
Registered Unemployed — incl those on special work schemes	June 79	20,316	17,316	+18.0
NZUC Share Price Index	July 26, 1979	337.45	373.46	+1.0
Reserve Bank Share Price Index	July 25, 1979	1111	1398	+2.0



US corporate gadflies spare NZ chairmen

by Peter V O'Brien

NEW Zealand company chairmen should be thankful that they escape the attentions of the American organisation, Corporate Democracy Inc, a "not-for-profit" corporation run by brothers Lewis D Gilbert and John J Gilbert.

The brothers and associates attend about 260 company meetings every year, and publish a book on the results.

The 39th annual report of Shareholders Activities at Corporation Meetings during 1978 has just arrived. It contains detailed information on the conduct of meetings, with considerable space given to the Gilberts' questioning of the chairmen.

Six thousand copies are mailed out each year. The Gilberts cover the difference between total cost and subscriptions received.

They specialise in asking awkward questions, some of them (or the answers) amusing.

At General Motors, Wilma Soss, president of the Federation of Women Shareholders and "activist" George Sitka, asked chairman Thomas Murphy about his expense account. Murphy stated that the account was only $18,000 because he has "a wife and no mistresses". At the Atlantic and Pacific (A & P) meeting John Gilbert questioned the food giant's advertising. A Detroit newspaper recorded the event:

"A & P executives were upbraided by John J Gilbert for one store's ad that extended greetings for Rosh Hashana and Yom Kippur, Jewish holidays, and also offered bargains on pork and ham."

Activities as shareholders' watchdogs extend to executive compensation. At the Burroughs meeting shareholder Neumann queried the chairman, Paul Mirabito, on this subject:

"Neumann pointed out that Macdonald (Ray W Macdonald, former chairman of the board) gets a pension of $104,000 a year and also has a contract which will pay him $175,000 a year as a half-time consultant. In addition Macdonald is paid fees for serving on the board of directors.

"Neumann said these payments provide Macdonald with an income of more than $275,000 a year for part-time services, whereas 'the President of the United States gets $200,000 for working full-time'.

"Mirabito snapped. 'I can't comment on the compensation of the President of the United States'."

The Gilberts are also serious. Their annual review examines the location of the meeting (scathing about out of the way places, particularly Wilmington, Delaware — a favourite for many large companies), its conduct, standard of annual reports, auditing, post-meeting reports (which advise absent shareholders of the meeting's proceedings), the press coverage of meetings, pensions, options, duties and activities of directors, systems for election of directors, proxy voting, and other topics.

Representation of women and minority groups is a top issue in the United States. In this section there are other amusing comments. Referring to the election of women to the board of F W Woolworth last year, the report records an earlier woman director:

"Once Woolworth had a woman on the board, and then she disappeared, he said. We liked her very much but we couldn't figure why she had left. Then we found she picked up a conflict of interest, when she married the general counsel of J C Penny" (a competing chain store operation). When the chairman of a bank company was asked in 1978 why there were no women on the board, a Buffalo New York newspaper reported the answer in "this acid manner":

"The only feeble answer he could muster was — 'If I appoint one, all the others will be mad at me'."

The report has points of relevance for New Zealand directors. It quotes Louis Rukeyser, who runs the Wall Street Week television show, when he explained the meaning of some annual report catch phrases:

- 'Our company had a buoyant year' (We just managed to keep our heads above water.)
- 'A major challenge lies ahead' (We lost our monopoly).
- 'Progress is currently impeded by a loss of liquidity' (We're practically bankrupt).
- 'We have continued to divest ourselves of activities that did not fit into the new strategy' (We got rid of the rubbish).
- 'He will continue to serve the company in an advisory capacity' (If we sacked him he might talk).' But the Gilberts admit indirectly that they might have trouble in other countries, quoting an account of the use of "corporate cheerleaders" in Japan.

One Japanese meeting was over in 20 minutes, moving an American newspaper man to write:

"This surprised no one, since the majority of the 'shareholders' attending the meeting were racketeers who had been paid to ensure that no note of discord would mar the harmony of the occasion. They were among the growing fraternity of extortionists and corporate cheerleaders called sokaiya, who profit handsomely from the typical Japanese manager's fear of public controversy.

"Police here say that ne[illegible] all corporations listed on [illegible] Tokyo Stock Exchange, [illegible] many unlisted Firms as [illegible] pay off sokaiya. One estim[illegible] is that such payments [illegible] recent fiscal year tota[illegible] more than $600 million.

"Legitimate corpor[illegible] gadflies, like John and Le[illegible] Gilbert, who seek corpo[illegible] reform by attending score[illegible] shareholder meetings in [illegible] United States every year, [illegible] no counterparts here."

They have no counterp[illegible] in New Zealand either, bu[illegible] have no local version [illegible] sokaiya. If recent insura[illegible] company meetings are a g[illegible] we may have the opposi[illegible]

JOHN GILBERT . . . Corporate Democracy Inc spices up a peaceful meeting.

Bargain hunters search lists

by Peter V O'Brien

INVESTORS seem to be catching on to the idea that high yielding stocks offer reasonable opportunities for capital gain in the medium term.

Sharemarket activity last week saw a solid rise in market indices. Substantial parcels of high yielding shares were traded. The business spilled over to the secondary market in company debentures and notes, with a parcel of Broadlands 13 per cent stock, maturing in November, 1981, selling at an extraordinary 17 per cent yield.

The number of stocks yielding around 10 per cent was discussed here on July 11. The market has moved ahead since then, but the bargain hunters are taking an active interest in depressed shares.

Last week there was good trading in Neil Holdings, the Auckland housebuilder, and an excellent example of a share which would qualify for the title "depressed". The company is suffering from the continuing downturn in the housing industry, as shown in a half year profit which dropped to $215,888, compared with $1,229,309 in the corresponding period of the previous year. The interim report said: "A factor in the result was a substantial loss incurred by the Transformer manufacturing subsidiary which has since been sold".

The company will be reporting in a few weeks on the year ended June 30, and is likely to be well down on 1978. But, assuming the dividend can be maintained, there is a yield of 15 per cent at 40 cents, which the market was paying last week.

It will be some time before housebuilding returns to favour, but a 15 per cent yield is worth a punt for people with spare cash, and a willingness to wait for better times. Any improvement in economic conditions, as they relate to housing, allows a reasonable capital gain on a share priced at 40 cents. A movement to 44, for example, gives a 10 per cent profit before brokerage.

If it is thought that a housing company investment is unthinkable, there are several other companies attracting investor attention, at relatively low prices.

Someone sees merit in a brewery stock with a yield of 11.1 per cent, judging by the parcels recently traded in Lion.

Three weeks ago I mentioned that in "normal" times such a yield for a brewery would be considered extraordinary. While the times are anything but "normal", particularly in beer consumption which is static, it is hard to believe that Lion is heading out the back door.

Increasing interest is being shown in insurance stocks, although those companies may have profit difficulties this year. Devaluation will offset the effects of problems in overseas trading, and it is probably this factor which accounts for the improving prices on reasonable turnover. The dividend yields will be playing a part in investor attention for the sector.

INVESTOR INSIGHT

Last week NZI and South British, the "big two," were yielding more than 8 per cent on a rising market. The third major listed company, National Insurance, was giving investors 6.9 per cent, but turnover appeared to be slightly lower, even proportionately, than sales for the other two.

Some leaders are showing comparatively high yields on an historical basis, and are receiving appropriate investor attention. While 8 per cent on an equity investment compares unfavourably with 15 per cent in fixed interest securities, the former can be useful if some or all of the dividend is paid from tax free resources.

Feltex has paid dividends from such resources. Last week large parcels were changing hands at a yield of 8 per cent. Half year profit for the period to December, 1978, was $4.5 million, compared with $1.9 million in the [illegible] period of 1977-78.

Problems in the constr[illegible] industry will affect pro[illegible] cement companies, both [illegible] year ended June, 1979, [illegible] the current term. But [illegible] 12.7 per cent on Golde[illegible] and 12.8 per cent for [illegible] Zealand Cement are pro[illegible] buyers. Recovery in [illegible] companies will take tim[illegible] again a small moveme[illegible] price can give a good [illegible] centage gain on the inve[illegible] at current prices.

The size of parcels in [illegible] the high yielding [illegible] suggests that the bu[illegible] buyers may be instit[illegible] Private investors need [illegible] wallets and strong [illegible] buy 20,000 or 30,000 sha[illegible] such companies, giv[illegible] present state of the [illegible] terest market and [illegible] phasis on leading [illegible] particularly those i[illegible] exporting.

Institutions make m[illegible] just as much as priv[illegible] vestors, and they m[illegible] wrong this time if th[illegible] buying high yielding [illegible] which are consi[illegible] generally to have only m[illegible] prospects in the short[illegible]

Institutions tend to be[illegible] the longer term, but they [illegible] shown willingness to tr[illegible] recent years. Income [illegible] come, whether it comes [illegible] the dividends or from [illegible] percentage capital gains [illegible] few months. The downside [illegible] at these prices is small, [illegible] can be worth a consi[illegible] punt, if only a small prop[illegible] of the portfolio is invest[illegible] high yielders.

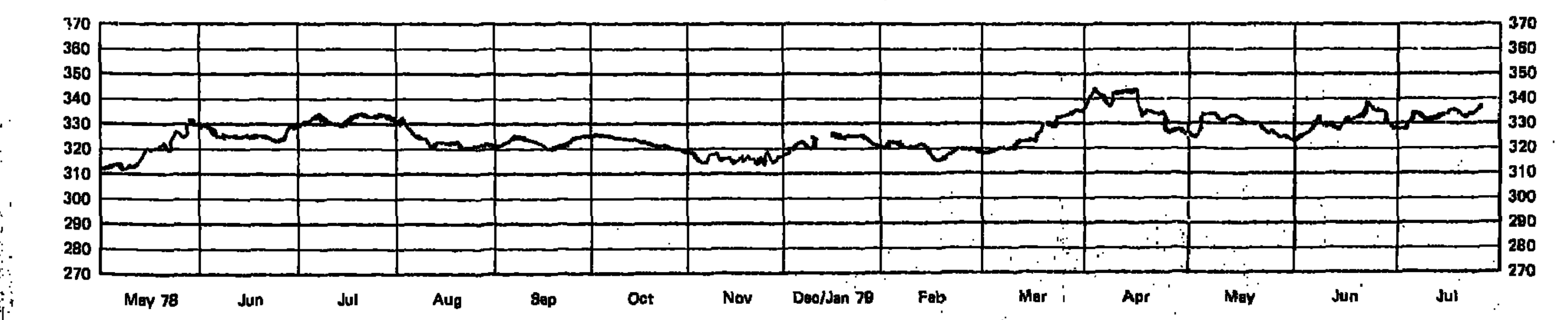
NBR SHAREMARKET SURVEY

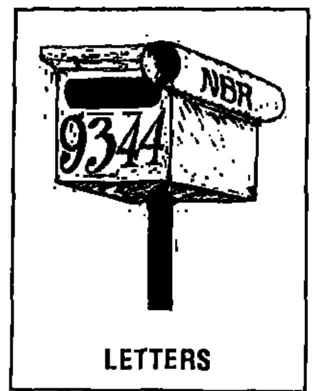
WEEK ENDING JULY 25, 1979

1979 High	Low		Last Sale	Week's High	Week's Low	Dividend c	Reported Turnover	Dividend Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

1979 High	Low		Last Sale	Week's High	Week's Low	Dividend c	Reported Turnover	Dividend Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NBR / NZUC SHARE PRICE GRAPH (Base 1957 = 100)





Govt's trade incentives

I HAVE only just had the chance to read Peter V O'Brien's article in the 11 July 1979 issue of your publication which was entitled "Anomalies show up in export-import schemes". Even though there has been some delay I would still like to make a few comments.

The valuable attention given by the "National Business Revew" and by Mr O'Brien to these new government policies is much appreciated, but I feel that in this instance the author may also have inadvertently helped to confuse his readers. This may partly be because he hasn't made consistent distinctions between several quite separate policies referred to in his article — the Export Incentive Scheme, the Export Production Assistance Scheme (EPAS), the Production Rationalisation Policy and the Excessive Price-Quality Differentials Scheme. This has led to a few minor errors, and I have taken the liberty of enclosing a separate note on some of these. You may care to publish this in a subsequent issue of your publication.

If I read Mr O'Brien's article correctly the main thrust seems to be that the Export Incentive Scheme and the Export Production Assistance Scheme are counter-productive — that the latter facilitates access to imported goods for use in export production, while the former is assessed on the basis of domestic added value content.

While it is possible that increased importing of componentry under the Export Production Assistance Scheme may reduce domestic added value content in terms of the Export Incentive Scheme, most such decreases would we think be pretty marginal. There is for instance the quite strong incentive for an exporter to maximise his domestically-produced componentry in order to raise his taxation incentive potential. With the aim of keeping schemes of this nature simple, the Government would be loath to generate marginal policy changes. Should significant anomalies develop, however, then I would certainly ask my department to look into them.

I do feel that Mr O'Brien has painted the two policies in rather black and white terms, whereas they in fact complement each other quite neatly. Businessmen will be called on to make fine commercial judgments as to what policy mix to follow.

It should be noted that EPAS licences are generated by business outside New Zealand, so the New Zealand component manufacturer makes sales (to the exporters) that he would not otherwise have made. Also it is as well to remember that the component manufacturer can make exports himself, and these would of course qualify for the Export Incentive Scheme. Componentry manufacturers are thus not faced with an either-or situation.

L.R. Adams-Schneider
Minister of Trade and Industry

"Export-Import Schemes" — Comments on NBR Article of 11 July

1. Satement: The Export Incentive Scheme puts no pressure on exporters to source domestically.

Comment: The Export Incentive Scheme is designed to reward manufacturers for their net foreign exchange contribution through measurement of the existing domestic value-added content level of their exports. It was never intended that the scheme should force a manufacturer to shift his input sourcing if the individual did not see any real advantage in doing so.

The new scheme does however indirectly encourage a manufacturer to source domestically to the extent that domestically sourced inputs are lower priced than foreign substitutes and by giving the opportunity to larger exporters to undergo an individual assessment if the domestic value added of his products lies above that assessed in the "dictionary".

2. Statement: The manufacturing exporter qualifies for an incentive, but what happens to his supplier?

Comment: Only the exporter who owned the goods at the time of export receives an export incentive, whether he is the manufacturer or an export agent. The supplier of an input to an export good has never been eligible for the incentive. However, the suppliers may benefit indirectly through the prices they receive for inputs or from the extra volume of sales generated — that is up to the market place to determine.

The "supplier" in a market situation is always free to export his products directly and thus benefit from the incentive.

3. Statement: What happens if a manfuacturer changes the source of his inputs from domestic to imported, thus receiving more incentive than he should?

Comment: The domestic value added band assessed for a product in the "dictionary" is the average added value of the total production of that product in New Zealand. Therefore, manufacturers who source both overseas and domestically contribute proportionately to the final banding assessment of the product.

Officials realise that averaging will result in some manufacturers receiving more incentive than they should while others will receive less. While this averaging may not be perfect it does result in a more equitable assessment of incentive for an exporter than under the old Increased Exports Taxation Incentive, where a firm with a low domestic value added would receive as much or more incentive as one with high domestic value added. The idea of assessing the domestic value added of the products of every firm every year was considered and would be close to perfection but would be prohibitively expensive and administratively impractical.

If a significant number of exporters change their source of inputs from domestic sources to imports this will be reflected at the time when dictionary bandings are being reviewed. Thus, if a higher proportion of imported materials or components is in use than was the case at the earlier date this would result in the export product being dropped to a lower band and accordingly receive a reduced rate of incentive for future periods. It should also be noted that, for the larger exporters who contribute the major share of our export income and who seek individual assessment, there is a definite incentive to source inputs domestically as any increase in the domestic value added will be reflected in the specific rate of incentive used after individual assessment.

4. Statement: Under the Production Rationalisation system the onus to contain imports is placed on the local producer of components.

The sequence of paragraphs suggests that the rationalisation of production policy places the onus to contain imports on local producers of components. In fact the rationalisation policy has no such connection. It is self-contained. A manufacturer of components would be able to approach Government for rationalisation licences in just the same way as a manufacturer of finished consumer products.

Peter V O'Brien replies: The Minister's letter and clarification are welcome. They contain additional information which was absent from several explanatory statements on the scheme. The questions raised in the article were of concern to manufacturers and sources who brought them to NBR's attention, because they too were "inadvertently" confused. — Editor.

Milk goes commercial

WE'RE prepared to forgive "Aesthetes Academy Awards" this year . . . and if you think our old English sheepdog could get it's head into a cocktail glass, you've been drinking too much yourself. (Admark, July 27, 1979).

Speaking of awards, if your "existing built in message" means what I think you're saying you are an even grubbier twister of meanings than anyone who had anything to do with the campaign. You can give yourself a pat on the back (whatever you want that to mean), by being the first to admit to even thinking it.

On a more serious note we must also take the blame for the inspiration — Egan Ogilvy's article in Town Milk was written after the campaign was approved.

And what you see as a "jumble of concepts" was seen in extensive pro-testing as one concept.

But then our respondents weren't trying to be clever.

Brian Mar[illegible]
Account Director
Mark[illegible]

Government fears flight saturation

THE three principal airlines operating on the United States run out of New Zealand are all looking to put on extra flights. But Government officials think the supply may exceed the demand if all the requests are granted.

According to the Ministry of Transport, Continental Airlines has made approaches for an increase in the number of flights it's allowed into New Zealand.

Continental denies it has made the approaches, although it's common knowledge that the airline is looking for a bigger market share over the longer term.

Continental currently flies from Los Angeles to New Zealand three times a week using DC10s and could be looking for a daily service.

It currently operates four times a week to Australia, and has made it known there that it would like to both increase frequency and fly to Melbourne as well as Sydney.

Continental chief operating officer Alex Damm has indicated that the airline would eventually like to pick up its rights to run a trans-Tasman service.

The other American carrier, Pan Am currently runs six Boeing 747 flights a week to the United States plus a shared freighter from both Australia and New Zealand.

Pam Am wants to up this to eight flights a week plus another freighter.

The current freighter starts in Australia before coming to New Zealand to top up with cargo before its long haul to the United States.

If Pan Am choose to devote a whole freighter to the New Zealand run, the Ministry of Transport acknowledges that would be within its present air rights, and no formal approval would be necessary.

Permission would be required for the extra passenger flights.

Air New Zealand runs 11 flights a week to Los Angeles through various points in the Pacific and normally looks to another one or two extras a week in the high tourist season.

Just a year ago, there were 19 flights a week out of New Zealand to the United States, six United States jumbos, 11 Air New Zealand DC10s and two other operated by UTA.

Air New Zealand controlled about 60 per cent of the available seats.

However, should the American carriers get their way, there would be a total of 29 flights, of which 15 would be American controlled, leaving Air New Zealand with only 40 per cent of the capacity.

Government officials are being bothered by the enormous increase in available seats which all that extra capacity represents — about another 2800 seats a week.

Officials see this as only driving load factors down, possibly to the point where the services are uneconomic.

Fiji uses foreign firms to boost job openings

FIJI is looking at ways of increasing job opportunities by making the country an attractive place for foreign firms to use as an export base.

The Government is considering plans for the creation of an economic zone which would be used by foreign based manufacturers on a duty free basis.

In broad terms it's the policy that Singapore, among other developed countries, has pursued successfully, but written down to the small scale of the Fijian operation.

The Fijian Cabinet is looking at the scheme based on the findings of two economic experts from South Korea. However, even if the Government does adopt the scheme, it would be some years before it would become fully operational.

Basically, it involves the creation of an artificial customs barrier between the economic zone and the rest of the country. Inside the zone, foreign companies would be able to import raw materials duty free, process them and then re-export the finished articles without paying any duty.

The major benefit for the Fijian economy is in extra jobs, and secondly in whatever transfers of technology and improved job skills can be arranged.

Fiji's Minister of Commerce Mohammed Ramzan says a site in the Western District of the main island of Vita Levu is under consideration.

He says the site is close, both to Nadi International Airport and a seaport, but will require considerable investment by the Government before becoming useful for overseas companies.

Ramzan says the Government is looking at spending several million dollars over the next few years on the infrastructure for the economic zone, on buildings and the site itself.

The possibility of joint ventures has not been ruled out, although Ramzan says this is not the prime purpose of the economic zone. Provided any such ventures were in accord with the Government's policy, they would be allowed to proceed.

Like many developing economies, Fiji seeks foreign investment which gives the indigenous population some benefits, the foreign investor reasonable profits, involves some transfer of technology or job skills, and perhaps some equity participation by Fijian investors.

Complaint over ban on TV man

by Warren Berryman

JUSTICE Department officials are asking Government official assignee Ernie Gould for his account of a television interview with South Pacific Television before a recent Securitibank creditors meeting in Auckland.

Gould refused SPTV reporter Ron Taylor entry to the meeting, an exchange which the channel screened on both its 6 p.m. and 10 p.m. news broadcasts the same night.

After receiving a complaint Justice Department officials asked SPTV for a copy of the film. This was supplied.

Gould, a Justice Department employee, had barred the press, radio and television from the meeting.

Journalists from the National Business Review and the Auckland Star held proxies for creditors and attended the meeting as proxy holders.

South Pacific Television reporter Ron Taylor stood in the vestibule of the Auckland Town Hall with his television camera, sound equipment and technicians.

He requested admittance on the grounds that the meeting was of public interest.

Gould refused admittance. And, as Taylor continued to question Gould under the television camera, Gould became visibly annoyed

Gould sent Taylor and some of his equipment skittling with a shove to the chest, ending the interview.

Later, Gould said SPTV had been told days in advance they would not be allowed to attend the meeting.

Explaining his physical treatment of Taylor, Gould said: "This guy came up to me with a casual question and then started interviewing me. Out of the corner of my eye I saw a television camera. It was a set up. I'm not a bit sorry for assaulting him. Those guys think they're God."

Taylor denies that he tried to film Gould without his knowledge, saying the television camera, bright lights and microphone made it very obvious what was going on.

As to press coverage of the meeting, Gould said, he originally attempted to obtain a limited pool coverage, perhaps by a New Zealand Press Association man.

But, Gould said, as pool coverage was impossible, and wishing to be fair, he decided to revert to the old rule that creditors, meetings are private.

Privacy protected the creditor, who having lost his money, was likely to make rash and emotional statements which he, in the cool light of day, would not like reported, Gould said.

NBR found creditors' opinion regarding press coverage to be divided. One reason against press coverage, in addition to that mentioned by Gould, was that some of the more sophisticated businessmen caught in Securitibank did not want to be exposed as "mugs or bunnies".

Gould intimated that he thought it a rather underhanded subterfuge for a reporter to attend a meeting as a proxy holder.

But NBR made the point that a creditors, meeting of such importance was bound to be reported anyway and it was perhaps better to have a trained and dispassionate observer present than for the reporter to obtain all his information second-hand from people who might be less objective.

Also there were only a small fraction of the many Securitibank creditors present at the meeting. Those not present deserved an unvarnished report of the proceedings. They might also like to know how their proxies were used.

Lifestyles enter focus

"THE 'Lifestyle Segmentation Study of New Zealanders' is the first of its kind and represents the fulfilment of a dream held by many market researchers," said Jim Belich, managing director of J Inglis Wright.

His agency hosted the presentation in Auckland and Wellington of this recently completed study conducted by the Otago University Marketing Department in conjunction with Heylen Research Centre. The study was supported by several New Zealand firms and organisations.

The report was presented by one of its authors, Otago's Professor Guenther Mueller-Heuman New Zealanders cannot be classified by sweeping generalisations such as "average blokes" or a "classless society" Mueller-Heuman said, nor by conformity to statistical tables. And they do not fit into the existing stereotypes found in other countries.

"I personally believe people have a right to be different — even a right to be wrong in the way they are different," he said. "In some countries they are not allowed to be different."

Demographic research provides information on who your customers are and further research will disclose facets of purchasing and consumption habits, he explained, but only motivational or attitudinal types of research will find out the "why" of behaviour.

The lifestyle concept refers to the distinctive or characteristic mode of living, in its aggregate or broadest sense. Differences in lifestyle are reflected mainly in what people do and how they differ in consumption and other activities.

The first objective of the study was to produce a comprehensive picture of New Zealanders and the second to group them into meaningful segments representing different, although not totally exclusive, lifestyle patterns.

THE YOUNG, single, socialising female ... 13.2 per cent of the market.

A sample of 1306 households was surveyed with a high response rate.

Questions presented to the respondents enabled data to be gathered under four basic categories. These covered activities where a choice was available, such as found in purchasing and consumption and leisure activities; psychological characteristics and the values and beliefs people hold; attitudes held toward the family, community and the environment in general; and situational variables such as education, occupation, age and sex and personal characteristics where little or no short term choice exists.

Choice activities and selected attitudes directly related to behaviour were used to generate the lifestyle segments and a solution was found in eight main segments for men and women selected by distinguishing characteristics which were different from the average.

The female segments were identified as:

Segment 1. The kind, elderly, family woman (13.8 per cent of all women aged 15 and over); 2. The devoted, young mother (14.4 per cent); 3. The worried, young mother (12.7 per cent); 4. The young, single, socialising female (13.2 per cent); 5. The active, sophisticated lady (11.9 per cent); 6. The conservative, accepting housewife (15.4 per cent); 7. The insecure and lonely female (5.3 per cent); 8. The capable and understanding mother (13.3 per cent).

As an example of one segment, the young, single, socialising female is found in the main age group 15-24, single, students and full-time workers. She is immature but striving for recognition and accomplishments but puts socialising first. She has liberal attitudes, is concerned about eating too much and would like to be fitter. She is high on shopping for fashion clothes, jeans, T-shirts, sunglasses, hairdryers, hair shampoos and suntan lotions. She goes for sports activities, movies, disco, radio, magazines, pop music. And she buys takeaway food, snack foods and sweets. Uses public transport.

The eight male segments named for their distinguishing characteristics are:

Segment 1. The discontented man (6.2 per cent of all males over 15); 2. The young, socially active man (18.3 per cent); 3. The mature, family man (14.5 per cent); 4. The elderly traditionalist (8.2 per cent); 5. The success oriented man (10.6 per cent); 6. The working man (12.5 per cent); 7. The quiet, thoughtful man (14.2 per cent); 8. The practical, family man (15.6 per cent).

The success oriented man, represented by segment 5, is mostly in the 25-54 age group and married, in the main. These highly educated men, some self-employed, are found in professional occupations with very high incomes and live in urban areas.

These men are confident, active and liberal, find their work interesting and important but insufficiently recognised. Introspective, they are interested in cultural activities. The success oriented man deals easily with money and invests heavily, reads business and news magazines and travels overseas. He shops extensively using credit in speciality shops. He consumes modern, sophisticated food, and is a heavy drinker of coffee, white wine and whisky.

The report as published contains the answers by segments and in total to the many personal questions which were asked to produce the data for segmentation. The questions cover such areas as political activities, explicitly personal matters, interests and hobbies, possessions, and personal and family relationships and undoubtedly the report can be mined for the purposes of social as well as market research. Additionally there are many specific questions on consumption, product ownership and media usage, for example, which have been included for individual sponsors and the results are not available generally.

The report has such value to marketers in terms of addressing the right market segment both creatively and through judicious media selection that it will undoubtedly attract further sponsors. New sponsors can now buy in for a fee of $1250 for the basic report with further access fees for additional information.

'Gossip' hits ad market

AUCKLAND ad agencies recently received a sample copy of a $90 a year weekly newsletter together with an advertisement for the same.

Called The New Zealand Advertising and Marketing Letter and billed as a "communication medium for the communicators", the first facsimile edition offered little more than Parnell pub gossip written in mock Madison Avenue style.

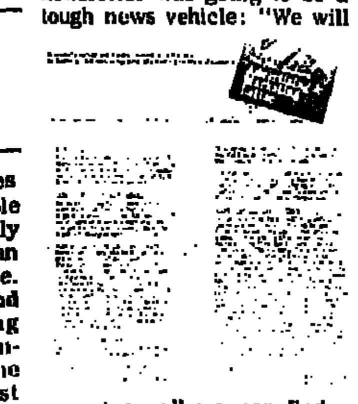
Editor Michael Maloney, while he may have struck out on editorial content, had two marketing points dead right: the advertising industry would like to see a New Zealand media magazine of similar quality to those published overseas; and the same advertising industry is unwilling to support such a magazine with its own advertising.

So the newsletter carries no ads in its four foolscap pages. The dearth of advertising might explain the $90 price tag.

Judging from the reported response from the agencies there may not be many takers. Typical agency logic has it that $90 will buy at least two pints of beer a week in a Parnell pub and yield about as much hard information.

The newsletter started off with — "Sam Says: Flay it again Sam, flay it again, I guess you've waited for about as long as Rip Van Winkle slept, for somebody to start a weekly newsletter of this kind. Our impatience wilted."

According to the accompanying blurb, the newsletter was going to be a tough news vehicle: "We will



report on all we can find — some of it will hurt a little — but we are in a hurting game, then again we will give praise where there has been a performance."

The only story in this "hurting" vein in the newsletter was a swipe at Admark. It seems we made three spelling boobs in the June 20, Admark — and by commenting on this, the newsletter was able to fill 25 per cent of a page. It concluded that Admark had been in the game long enough to hire a professional proof-reader

Touche. But was this hard news for the calculating marketeer?

"Cabinet Government poses an affront to the idea of separation of powers"

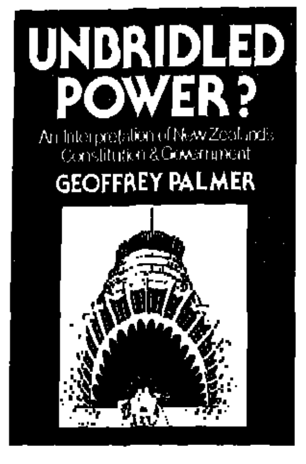
by Geoff Palmer

CABINET is the power house of New Zealand government. Most important decisions made by Government are made by cabinet or cabinet committees; others are made by individual ministers. An incredible amount of decision-making power is concentrated in the New Zealand cabinet. Many problems are pushed up through our governmental system for resolution by cabinet. The New Zealand cabinet:

- acts as final decision-maker on all important matters of policy;
- approves the content of all regulations, which are laws made under the authority of statutes;
- decides the content of statutes to be passed by parliament;
- makes the decisions on government spending;
- co-ordinates the administration and gives orders to the public service on how to carry out administration;
- acts in ways designed to further its own political survival.

In 1970, Brian Talboys, then an experienced minister and later deputy Prime Minister, characterised Cabinet in the following way:

"In New Zealand all the major decisions are made by Cabinet whether or not they involve more than one department. In fact, it is Cabinet which governs. It is Cabinet which determines the financial authorities granted to Ministers and unless a Minister has this authority he cannot spend, regardless of what the relevant Act may say. The sanction is not that of the law, of course; it is that of his Cabinet colleagues."



Although committees of Cabinet form an important feature of cabinet's work, no hard and fast rules exist concerning the committees. Committees come and go according to the issues of the day, but some are more or less permanent fixtures. Some of the important committees, such as Works and State Services, enjoy power to make final decisions on questions which come before them, although the full Cabinet could reverse a committee decision. Cabinet committees cannot be considered separately from Cabinet itself — they are all part of the same decision-making complex. At various times in recent New Zealand history there have been as many as thirty committees, or as few as 10. Some committees, such as Civil Defence, hardly ever meet. Others, like the committees dealing with economic questions and government expenditure, meet regularly.

In 1970, Talboys said that he was a member of 15 cabinet committees and this 'means spending 10 to 12 hours each week at meetings of Cabinet or its committees and many more hours preparing for such meetings'. Cabinet committee meetings, unlike full cabinet, are often attended by officials who discuss issues with ministers and tender their advice.

For the formal meetings of cabinet on Mondays, Cabinet papers are prepared by departments under the supervision of the minister.

When a proposal involves expenditure, a Treasury report on the proposal is circulated to every member of cabinet. The department in charge of proposals has the right of reply. The views of other departments on the proposal will also be available. The documentation so prepared is designed to give ministers a set of views to weigh in reaching the cabinet decision on the subject.

The business of cabinet is carried out under the supervision of the secretary to cabinet, a high-ranking permanent public servant who heads the unit which services cabinet. The cabinet office arranges the agenda and prepares the minutes recording decisions. While these functions are under the formal control of the prime minister, in reality the Cabinet office functions with a great deal of independence. To a large extent the agenda arranges itself depending upon what papers have been prepared for Cabinet consideration.

Ministerial responsibility

The concept of ministerial responsibility is often said to be a great protection against the abuse of power by ministers. Ministerial responsibility may mean that ministers are responsive to public opinion because the government can be voted out of office at elections. Or it may mean that ministers are accountable to parliament for their actions and those of their officials. The second meaning has attracted most discussion.

It is a custom of government that ministers share collective responsibility for the policies of the Government. The principle cannot be directly enforced in any court but rests on usage. It is said that there must be unity in cabinet once decisions have been taken; this amounts to little more than the loose notion that the members of cabinet should stand or fall together. They cannot evade responsibility for government policy.

Another aspect of the concept of ministerial responsibility concerns individual ministers. A minister must answer questions in parliament concerning the activities of those departments for which he is responsible. It is sometimes said that the minister must resign when he or one of his officers has blundered. That has not happened in New Zealand since 1934 and where circumstances might indicate resignation a minister can shelter behind the collective responsibility of cabinet mentioned above.

Neither collective responsibility nor individual responsibility seems to amount to much in New Zealand. It seems to have become accepted that ministers in New Zealand can disagree with one another. For example, in 1978 the minister responsible for the Department of Internal Affairs said he was in favour of some form of revenue sharing for local authorities; the minister of finance and prime minister said that he was not. Both made their positions clear in public. No doubt there is a great deal more disagreement in cabinet than ever becomes public, but on occasions when it is convenient, the disagreement can be made public. In recent years in New Zealand, ministers have never managed to find an issue of principle upon which they disagree with their colleagues and which is of such importance to them that they are compelled to resign.

The concept of ministerial responsibility is not, however, totally bankrupt. It does have some important practical consequences for our government. The Government is legally liable for acts of its public servants under a minister's control and can be sued in respect of them. A minister can be asked questions in parliament about the actions of his department. The minister must answer to parliament for things which may have gone wrong; the minister and no one else is responsible to parliament in that way. He is supposed to take steps to see that his department functions efficiently and to ensure that he is consulted on all matters of importance. The permanent head of the department is answerable to the minister. There needs to be continual consultation between the minister and his departmental officers on a day to day basis.

Cabinet government poses an affront to the idea of separation of powers; cabinet combines a number of legislative, executive and adjudicative functions. Cabinet commands great resources. In the thirty-odd departments coming under the State Services Act there were more than 78,000 employees in 1978.

Many public servants are people of great skill and expertise; in some spheres of activity the Government has at its command a virtual monopoly on the talent available in New Zealand. And the orderly activities of the public service generates a great deal of information, much of which is information available only to the Government. That information is another weapon in the armoury of executive power. The capacity of those wishing to scrutinise or oppose government is directly affected by the amount of information available to them from government. No group of managers or directors in New Zealand can bring to bear the range or resources and the width of powers available to Cabinet.

Caucus role

THE role of caucus is one of the minor mysteries of New Zealand Government. Some say it exerts real power, others that it is a rubber-stamp for cabinet. The truth lies in between. Both major political parties conduct regular weekly meetings of their members of parliament. In the case of the Labour Party several party officials also attend.

For the governing party perhaps the most important role of caucus is as a sounding board for the condition of public opinion on questions of the day. Sometimes ministers even speak as if caucus had the final say on important controversial questions which are the responsibility of the executive. It is probably true that the more controversial an issue the more caucus will be concerned with it. And on some issues caucus may decide that the policies of the ministry are unacceptable and must be changed. The best short description of caucus I have seen comes from former National Party speaker, Alfred Allen. He said in 1971:

"... at caucus meetings, where all are regarded as equal, and some prove themselves a little more equal than others. Members are extremely outspoken and the utterances and actions of individual Members come under very close scrutiny. A word picture of a Member is often so vividly painted that it enables him to see himself clearly as others see him.

"While Cabinet Ministers form the executive Government, they are always ready and willing to bring all matters of major importance before caucus before becoming irrevocably committed to any course of action. While it is unusual, I have on occasions seen the strongly presented recommendation of a Minister turned down in no uncertain manner and on other occasions a Cabinet decision reversed or abandoned.

"At our caucus meetings every Member is encouraged to express his views for or against any and every proposal before caucus, and very often a decision is deferred to enable those against to marshal support and fully prepare their case," Allen said.

Caucus committees

Caucus committees play an important part in determining the attitude of caucus. Ministers sometimes refer Government bills to a caucus committee before introducing them to parliament, although there is no fixed practice about it. But caucus is consulted on almost all legislation before it is introduced into the house. Departmental officials are often involved in supplying information to government caucus committees. Caucus continues to have an influence on legislation when the bill is before a select committee and the political implications of suggested changes are discussed. Although the influence of caucus has grown in recent years, particularly in the National Party, the main thrust of its activities seems to be directed at promoting the political health of the party. Sometimes that will provide a useful check upon executive action; in other instances it may encourage excesses in policy.

Caucus cannot be counted as a systematic auditor of government policy. Caucus and caucus committees help in the formulation of government policy, but the areas of concentration shift depending on political circumstances at the time. In the context of the present discussion, however, some conclusions can be reached about caucus. Caucus provides:

- a check on both cabinet and individual ministers
- a barometer of political opinion available to the ministry on controversial issues.
- a forum for determining political strategy and tactics.


SIR KEITH HOLYOAKE . . . maintain a fatherly oversight

Caucus deliberations are secret and it is hard to see how they could be made more open and still function effectively. Caucus does carry out some useful functions in filtering policies before the government becomes committed to them, but the emphasis on party advantage, which necessarily dominates all activities in caucus, ensures that caucus cannot be relied upon as a major source of protection for the public against the actions and decisions of the executive.

How powerful is PM

THE charge has sometimes been made, in the United Kingdom and in New Zealand, that government by cabinet is in eclipse. What we have now, it is said, amounts to a presidential system with the prime minister as president. R H S Crossman described in 1963 a phenomenon he called 'prime ministerial government'. Lord George-Brown's statement about why he resigned from Harold Wilson's Cabinet in 1968 echoes the same theme:

"I resigned on a matter of fundamental principle, because it seemed to me that the Prime Minister was not only introducing a 'presidential' system into the running of government that is wholly alien to the British constitutional system ... but was so operating it that decisions were being taken over the heads and without the knowledge of ministers, and far too often outsiders in his entourage seemed to be almost the only effective 'Cabinet'."

Few contest that a prime minister has great power and authority, but many hold the view that such has been the situation for years. Certainly it seems clear, in both Britain and New Zealand, that the prime minister is a good deal more than the first among equals; how much more, it is not easy to determine, especially in New Zealand.

The accompany article is an edited extract from a chapter on Cabinet, caucus and the Prime Minister from the new book on the New Zealand constitution by Geoffrey Palmer, professor of law at Victoria University in Wellington. The book, "Unbridled Power?" was published last week by Oxford University Press and is available from bookshops at \$8.95.

Much of the prime minister's power will always depend upon personality and temperament. Some people like team-work; some find the delegation of decisions uncongenial and want to have a hand in as many as possible. Legend in Wellington and Professor Keith Sinclair's biography suggest that Walter Nash was the latter sort of prime minister. No doubt the political success of a prime minister contributes to the degree of power he can exercise; a prime minister who, as party leader, wins elections consistently will hold more sway with colleagues than one who has been dogged by electoral failures.

The prime minister's right to appoint other ministers can also be regarded as a source of strength. In a National government the prime minister selects the ministers and allocates the portfolios. With Labour, caucus elects the members of cabinet but the prime minister allocates the portfolios. Even with National, however, there are constraints upon a prime minister's freedom: it is felt that candidates for cabinet must have had experience in the House of Representatives. In 1975 Prime Minister Muldoon had only twenty-eight members of parliament with parliamentary experience from which to select a cabinet of twenty people and provide a speaker, chairman of committees and two whips. No doubt in a much larger parliament than New Zealand's the power of appointment by the prime minister would amount to a more significant source of power. But when it is appreciated that cabinet selection is limited by a number of factors such as representation of geographical areas, age and experience, the power of appointment cannot be counted as highly significant in the circumstances of New Zealand in the seventies.

The right to dismiss a minister might be regarded as a potentially greater source of prime ministerial power except for the fact that it is a power which seems hardly ever to be exercised in modern New Zealand politics. Ministers do retire from time to time by not offering themselves for re-election, but ministers are not dismissed from office as they sometimes are in the United Kingdom and Australia.

Indeed not only do prime ministers tend not to dismiss ministers (at least openly) in New Zealand, ministers do not resign either.

Resignation dissociates the minister with policies of which he disapproves. Such resignations have not occurred in New Zealand since the second world war and the practice must be regarded for the moment as a dead letter. The size of the house and lack of further political opportunity in New Zealand after resignation seem to militate against it. Resignation does not necessarily mean political extermination in the United Kingdom, whereas it probably would in New Zealand.

The prime minister can advise the governor-general to dissolve the House of Representatives at any time and hold a general election, but such a step has not been taken in New Zealand since 1951. It might be expected in New Zealand that the prime minister would discuss such a step with at least some of his colleagues, if not the whole cabinet. Because elections must be held every three years in New Zealand the threat of holding an early election cannot be counted of great significance in the catalogue of prime ministerial power.

The prime minister is the chairman of cabinet. His opinion will carry great weight on all issues, whereas individual ministers will tend to be regarded at their most authoritative in dealing with matters inside their own portfolios. As Sir Keith Holyoake once put it: "the Prime Minister must maintain a fatherly oversight over the progress of his Cabinet colleagues, particularly in their work of implementing policy." There is no formal voting in cabinet. And although the prime minister is responsible for summing up cabinet discussion, he is not able to get away with stating his own view for long if his colleagues disagree with him.


R D MULDOON . . . added an innovation.

The public regard the prime minister as the chief spokesman of the government on all important issues. He holds the major press conferences, and what he says gains great attention in the media. He is not restricted in what he says, as his colleagues usually are, to matters within the particular portfolios he holds. So to some extent a prime minister is the government's trouble-shooter: when a problem gets hot the prime minister may well intervene in the handling of it.

PM as Finance Minister

To the above sources of power must be added two which are linked with the administration of R D Muldoon. First, it must be observed that from 1975 to 1979 Muldoon held the portfolio of minister of finance. The minister of finance is an important person in any government because all questions of expenditure involve him. He is minister in charge of the Treasury, which is the most powerful department of state. Treasury is powerful because it subjects all spending proposals of other departments to scrutiny and often says 'No'. Any proposal to cabinet, accompanied by an adverse report from the Treasury is bound to be closely scrutinised, even if it is eventually approved. Many expenditures which do not go to cabinet must receive the approval of the minister of finance. Control over the public purse belongs to the minister of finance and his treasury officials and that power constitutes an important counterweight to the proposals of those ministers who wish to spend money. Economic policy lies at the heart of government policy in New Zealand. So the minister of finance who presides over this financial machinery is a pivotal figure in government; when he is also the prime minister the concentration of power in one individual is overwhelming.

Second, to the impressive panoply of power outlined so far, Muldoon added an innovation of his own. The prime minister has responsibility for co-ordinating the policies of government, making sure that one minister is not doing something incompatible with the actions of another, ironing out clashes of responsibility and that sort of thing. In this task successive New Zealand prime ministers have been helped by officials in the Ministry of Foreign Affairs, who constituted the Prime Minister's Department. Muldoon moved the unit away from Foreign Affairs and added some functions. The department comprises the following sections:

- the prime minister's personal ministerial office
- a press office to act as publicity co-ordinator for the ministry as well as the prime minister
- the cabinet office to service cabinet and its committees
- the External Intelligence Bureau, which centralises intelligence functions previously carried on by the Departments of Defence and Foreign Affairs
- an advisory group of about eight people to provide the prime minister with an extra source of advice

The novel features of the new department stem from the re-vamped press office and the policy advisory group, popularly known as the "Think Tank". Some people felt that even if the development of the policy advisory group was not an attempt to cut down the power of Treasury, it certainly was intended to give the prime minister an effective overview and greater control of all crucially important policy.

Members of the new group were not recruited exclusively from the public service. Three came from the private sector on contract. Whatever views are held concerning the propriety of the new arrangement, it undoubtedly provides a useful source of advice on policy to the prime minister — advice which could be at odds with that received from the ordinary departments of state. The group is able to analyse and probe all proposals and it should help achieve greater co-ordination between government policies. There is nothing sinister about a minister having a group of special advisers to whom he can listen. But if the prime minister has such a high powered team and no other minister do, more power tends to accrue to the prime minister. The group will obviously become an important focus for negotiations of the type which go on between officials prior to any cabinet paper being sent up. So the prime minister's new department is an important source of power. When the prime minister has such an advisory group and also holds the finance portfolio, the concentration of power in one man's hands seems too great. The dual responsibilities also raise the question of priorities in use of the prime minister's time.

Added to all of the above must be the fact that the prime minister is always minister in charge of the Security Intelligence Service. In that capacity he is empowered by statute to issue warrants allowing that service to tap telephones and to issue interception warrants in relation to any communication not otherwise lawfully obtainable. The service is empowered to investigate terrorism, subversion and espionage, concepts which are but vaguely defined. Those are awe-inspiring powers in a free society; the formal checks upon their exercise are minimal.

Hardly any of the powers of cabinet, caucus or the prime minister rest upon any legal foundation. The present system has evolved, as is a custom of our government. There is nothing to stop it evolving further. The powers at present concentrated in cabinet and the prime minister could well be curbed: either some power should be removed from the cabinet area, or countervailing powers should be located elsewhere.

The legislative function of parliament has been damaged to a great extent by domination from cabinet reinforced by rigid party discipline. If parliament were able to stand up to cabinet rather than act subserviently, it would function as a more effective check on the executive branch of government.

The powers of the executive and legislative branches of government could be separated entirely, to enable each branch to act as a restraint upon the other. At present cabinet ministers must also be members of parliament; if members of cabinet were not members of parliament, cabinet domination of both caucus and parliament would be more difficult. Such a situation would certainly mean that parliament could exert more influence upon the conduct of government than it has ever done. Cabinet ministers would continue to conduct the government and preside over the public service. The money for government would be voted by parliament and statutes would contine to be passed there. The executive branch of government could propose measures, but parliament would have the dispositive power. One disadvantage with such a system, which is the basis of the United States government, is that ministers are not answerable to parliament for their conduct of government.

A related proposal comes from Nigel Roberts of the University of Canterbury. After studying what occurs in Norway and Denmark he suggests that it should be permissible to choose ministers from among non-parliamentarians. Such ministers would have the right to speak in parliament but not to vote. The suggestion has the advantage of increasing the availability of talent for the demanding and important post of cabinet minister. Furtermore, it would enable the blurred line between executive and legislative functions to be made more clear than it now is. From a legal point of view such a constitutional alteration could easily be made in New Zealand.

These proposals for change deserve serious consideration. An increased separation of powers between the executive and the legislative arms of government would go a great distance towards reducing the domination of the executive which characterises New Zealand government. But change may be accompanied by other consequences which would cancel out the advantages. Cabinet government as we know it could be destroyed, not merely moderated. Uncertainty and delay in making decisions could develop. More curbs upon executive power are needed rather than a new type of executive.

Bounty picket jeopardises French connection

by David Roble

A MODERN "mutiny" over the Bounty jeopardised a new export prospect for New Zealand the other day barely before the venture had got under way.

Hardly had the cocktail glasses stopped tinkling to celebrate the inaugural voyage of the 3800-tonne French Polynesian freighter Bounty from Auckland to Papeete laden with New Zealand exports than the New Zealand Seamen's Union slapped a week-long picket on the ship to prevent it from leaving port.

The union claimed the ship's owners, Compagnie Tahitienne Maritime (the Tahiti Line as it will be known here), were cross-trading by taking cargo to Tonga and Western Samoa on the journey to Papeete.

But, the fact is that the Bounty was carrying only 1400 tonnes of cargo to Nuku'alofa and Apia on behalf of the Tongan line Warner Pacific on a space charter agreement because its own ship wasn't immediately available.

Two appeals by the Tahitian Seamen's Union to the New Zealand seamen to call off the picket went unheeded in spite of hints that the Tahitians might retaliate.

French Polynesian government council Vice-President Francis Sanford — the unofficial Premier — is understood to have cabled a message to Prime Minister Rob Muldoon protesting against the boycott and expressing his full support for the Tahiti Line.

The deadlock was eventually broken when Warner Pacific cancelled its contract, transferring its cargo to its own ship, and the Tahiti Line assured the union it would not carry freight to Nuku'alofa and Apia.

"This was a bitter blow to us for our first voyage," says Tahiti Line president director-general Enrique Braun-Ortega.

"Setting up a new service like this, we would have been helped considerably by the Tongan contract which was only a oncer. Now we are going to have to wait a lot longer to recoup our initial costs of setting up the service."

Loss of the Tongan cargo could lose the Tahiti Line up to about $80,000. But in spite of this initial setback the new service augurs well for New Zealand exports to French Polynesia — providing exporters take up the cue.

The Bounty, former Swedish-built ship Capitaine la Perouse owned by the Sofrana Uniline of New Caledonia, will provide a monthly service between New Zealand and French Polynesia.

Although in competition with the New Zealand Shipping Corporation's service, this will mean in practice a fortnightly run between Auckland and Papeete.

Braun-Ortega is highly optimistic on the prospects of increased trade between New Zealand and Tahiti.

"It is significant that New Zealand's exports to French Polynesia last year dropped by 15 per cent while Australian exports continue to grow," he says.

This is partly because of Australia's better shipping services — three lines operate — which the Tahiti Line h... to offset but it is also bec... Australian exporters ... making better use of the opportunities.

Most likely prospects ... New Zealand appear to be timber, bulk food and build... materials.

French Polynesia imp... about 24,000 cubic metres ... timber a year but N... Zealand's share of this i... paltry 0.5 per cent.

Most of the Tahitian tim... imports come from the Uni... States but there is no rea... why New Zealand cou... increase its share, speci... when we use metrics.

Braun-Ortega believes ... chances are good of at le... tripling timber exports by ... Zealand to Tahiti.

Two large food stock pla... are being built in Tahiti ... about 8000 tonnes of ma... year will be needed to s... them.

New Zealand could g... share in this, providing ... are right, but there will b... competition from Aus... and the United States.

Telephone poles, ... products, aluminium ... frames, roofing tiles and ... building materials are ... products that could b... through increased exp... French Polynesia.

Hotel sites attract Japan...

JAPANESE firms with ... invest in hotels are look... sites in Auckland, Welli... Christchurch and Rotor...

But so far the Develo... Finance Corporation, ... has rated a new ho... Wellington as a high p... is not involved.

NBR understands ... proposal is separate, ... the present form, and ... not make a Japanese ... chain.

The Wellington hotel ... be primarily for ... businessman as would ... Auckland hotel while ... Rotorua and Christch... proposals are for to... hotels.

DFC general manager ... Hunn said he had not rece... any proposals recently ... any Japanese interests ... hotels.

Several proposals w... under consideration for t... new Auckland Airport ho... but though some were fr... overseas, none originated ... Japan.

Politicians use power distribution as pawn

by David Boswell

NEW Zealand appears to be the only democracy in which electricity distribution is allowed to be used as a political pawn.

The reasons for this state of affairs are:

- The Government is the producer, except in a minority of cases it is the only source of supply. Supply authorities are the retailers, and it is the producer that calls the tune.
- This is an age of the pressure group, and on the distribution side of the electrical industry is a very weak pressure group. Perhaps this is because the Electrical Supply Authorities Association contains two factions: municipalities and power boards. And they are not always compatible bedfellows.

Compared with other pressure groups, the mild and gentlemanly approach by the association cuts no ice in today's world.

The acceptance by the president of the Electrical Supply Authorities Association of the overnight decision of the Government to increase the bulk price of electricity by 60 per cent was greeted with amazement by consumers of electricity, the people the association purports to represent.

It was the tax on tea that began the American Revolution; a tax on electricity has no such repercussion here.

In a belated excuse for the 60 per cent increase, the Prime Minister said that the Government had inside information that the Shah of Iran would be deposed.

The Ministry of Energy apparently had forgotten to inform him that about 90 per cent of our electricity comes from renewable resources and that the use of oil in its generation is minimal.

A more logical response to the Iran situation would have been to increase the price of petrol immediately.

The year 1971 saw the first interference with the electricity bulk supply tariff for political purposes.

The bulk supply contract with supply authorities was to expire on March 31, 1972.

The Government and the Bulk Supply Committee of the Electrical Supply Authorities Association agreed on a two year contract with a 10 per cent tariff increase. But 1972 was an election year, and the Government did not want an increase in the price of electricity to jeopardise its chances.

It decided that the existing contract would continue for a further year, until March 31, 1973, when the election would be over.

To ensure that supply authorities did not increase tariffs to cover other rising costs the Electricity Price Stabilisation Regulations 1972 were promulgated.

The regulations provided:— "Except with the prior approval of the Minister of Finance, no electrical supply authority shall charge for electricity supplies by it at a rate that exceeds the charge being made on 31 day of January, 1972."

Although considerable publicity was given to the revocation of price stabilisation regulations from April 6, 1979, these regulations are still in force. The so-called autonomous electrical supply authorities are still required to get the approval of the Minister of Finance for any tariff increase.

A Labour Government was elected in 1972. One of its election promises was that it would stabilise costs — so tariffs were not increased until after a National Government was elected in 1975. It is of interest to note how increases in the cost of electricity are related to the three yearly election.

The latest increase is in no way related to the cost of production. It is simply a method of collecting more taxation to recoup the reductions in taxation offered as an election bribe last year.

The late McKenzie King, a former Prime Minister of Canada, made the point when he said: "The politician's promises of yesterday are the taxes of today."

The promise of cheaper electricity to certain industries in the South Island immediately prior to the last election was yet another example of the use of electricity for political purposes.

The sequel to the 60 per cent increase in the bulk supply tariff makes a farce of any consistent energy policy. It was obvious that the Government had given little or no consideration to the effect of the increase on energy intensive industries.

Immediately after the price increase was announced the Prime Minister officially opened a pulp mill at Karioi. No doubt he was promptly advised of the disastrous impact of the increase on that particular industry, so he announced that such industries would be given a rebate.

The managing director of Tasman Pulp and Paper Company Ltd stated in his annual report that his company would be paying $7 million more for electricity this year. He said that unit charges for electricity would be substantially higher, in some cases more than double than those incurred by many competing pulp and paper companies elsewhere in the world.

On June 12, the Acting Minister of Trade and Industry announced an electricity cost relief scheme for exporters. The rebate applies to the part the increase in electricity bills connected with the exports and will be limited to 50 per cent of the increase. The level of rebate will be determined by the firm's proportion of export sales to total sales.

THE second of a series on New Zealand's energy policy by David Boswell B Com, FCIS, ACA. He was a power board manager for 25 years, chairman of the Power and Finance Utilisation Committee of the Electrical Supply Authorities Association for 10 years and a member of the Committee to Review Power Requirements for the same period.

PERIOD	TARIFF MOVEMENT
April 1972—March, 1973	no increase — election year
April 1973—March, 1976	no increase — Labour stabilisation policy.
April 1976—March, 1977	60 per cent increase
April 1977—March 1978	40 per cent increase
April 1978—April 1979	5 per cent increase — election year
May 1979	60 per cent increase.

This concession raises some interesting points.

What particular Minister decides energy policy? One would have thought the Minister of Energy would have some say in this decision.

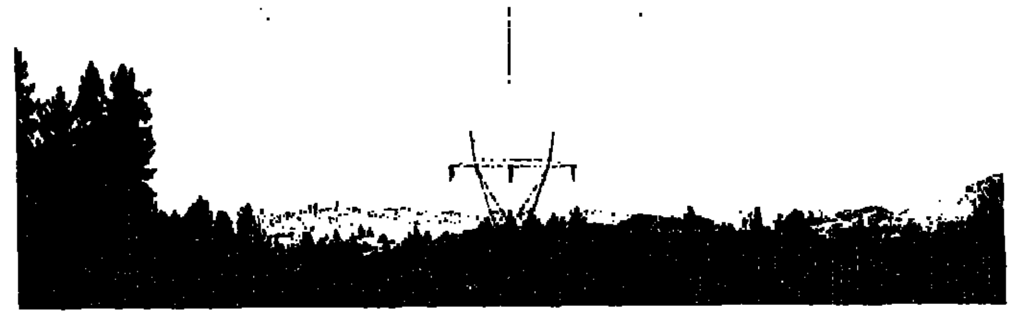
Will the same concession be available for bulk users of coal or natural gas? The involved and complicated formula will mean more work for more civil servants, when the ostensible aim of the Government is to reduce the number of civil servants.

There is a possibility that the 60 per cent increase could be a breach of the law. The bulk supply contract between the Government and each supply authority has a clause that states that six months notice must be given of any alteration to the tariff.

In this case the notice was less than six days. But the breach would be of academic interest only as the Government appears to have little regard for contractual obligations.

It appears that the only way to remove gas and electricity from the whims and vagaries of party politicians is to establish an Energy Corporation with some degree of autonomy.

The establishment of such a corporation could lead to a consistent and logical energy policy to the ultimate benefit of all consumers.



Energy Corporation Alternative...autonomy could lead to a consistent policy.

Export production scheme ends era of import substitution at all costs

LANCE ADAMS-SCHNEIDER . . . retains power to grant or withhold protection.

by Warren Berryman

FREE trade advocates will say Government has not gone far enough. But the 1979 budget contained at least three significant steps towards liberalising this country's protectionist policies with an eye to enhancing comparative advantage in exports.

The new export production assistance scheme allows exporting manufacturers to obtain import licences to bring in raw materials and components when it can be shown that either the high price or poor quality of local raw materials or components would jeopardise export performance.

This scheme brings to a close New Zealand's 40-year-old policy of import substitution at all costs.

It recognises the interrelationships of industries under the hothouse umbrella of protection — the fact that protection for one industry can boost the costs of inputs for another industry and price that industry's goods out of the export market.

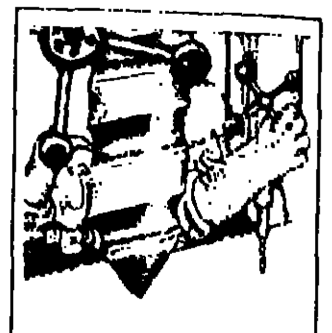
This scheme also illustrates the political fact that members of the powerful Manufacturers Federation do not have common interests, nor do they speak with a united voice when it comes to the question of protectionism.

Some local manufacturers can not exist without the high tariff barriers and import licensing which allows them to gouge New Zealand consumers with prices many times the world price for their goods.

In the first instance the consumer subsidises these companies existence and profits. When these companies goods are sold at artifically high prices the consumer price index rises, and with it, wage demands.

The protected manufacturer can pass increased wage costs on to his captive consumer. The efficient exporting manufacturer can not.

Even the highly inefficient protected manufacturers manage some token exports — but only up to the level where this country's generous export incentives and tax write offs make it attractive to export at cost or a slight loss and sell goods on foreign markets at prices less than those charged at home.



In these cases the inefficient non export competitive manufacturer is subsidised on one hand by the captive New Zealand consumer, and on the other by the community as a whole through taxes.

A second class of manufacturer is export competitive in his own right.

Exports might take up to 50 per cent of his total production. This manufacturer built his industry on a New Zealand based comparative advantage consisting of local raw materials, ingenuity, skills, or whatever.

This class of manufacturer needs no protection for his own industry. Protection for other industry can only push up the cost of his inputs and labour and create distortions in the allocation of labour and capital to his detriment.

A third class of manufacturer produces a product that is export competitive or would be, were it not for the fact that he has to buy raw materials or components at high prices, or of low quality, from a protected local industry.

This third class of manufacturer will receive the greatest benefit from the new scheme.

The manufacturer whose costs of production have been put up because he was forced by Government's pro[illegible] policies to buy a loc[illegible] component at many t[illegible] world price can now [illegible] case to the Trade and [illegible] Department and ob[illegible] import licence for th[illegible] ponent.

Foreign firms con[illegible] investment in New [illegible] have viewed our [illegible] licensing system as [illegible] negative factor.

They might be inte[illegible] taking advantage [illegible] country's cheap skilled [illegible] and generous exp[illegible] centives — but they [illegible] to be nobbled in [illegible] ternational market [illegible] being forced to buy [illegible] components from a p[illegible] local manufacturer.

This scheme there[illegible] make this country [illegible] tractive to the [illegible] manufacturer wi[illegible] establish an [illegible] production base here.

The export pr[illegible] assistance scheme [illegible] only for manufactu[illegible] porters. A similar sch[illegible] excessive price-qu[illegible] ferentials policy, [illegible] manufacturers prod[illegible] the local market.

Under this [illegible] manufacturers can [illegible] import licence to [illegible] equivalent raw ma[illegible] components to be [illegible] manufacturing [illegible] products if it [illegible] established that [illegible] equipment is more [illegible] or deficient in q[illegible] technology.

To qualify it must [illegible] that the price of [illegible] made item is [illegible] higher even after [illegible] been paid on the [illegible] item.

This policy will [illegible] New Zealand ma[illegible] to compete with [illegible] anything like an eq[illegible]

New Zealand alrea[illegible] highest tariff barri[illegible] industrial world. [illegible] freight costs for imp[illegible] an effective 25 to 30 p[illegible] protection for locally [illegible] goods.

Still, the policy, if carried out as put forward in the Budget, might eliminate some of the more blatant price gouging carried out by favoured import licence holders and manufacturers enjoying a monopoly position.

While the export production scheme and excessive price-quality differentials policy can be seen as positive steps in principal, they still offer no panacea for the efficient manufacturer dependent on locally produced components or raw materials.

The exporting manufacturer still must go through all the bureaucratic rigamarole to obtain his import licence while his competitor in the country to which he hopes to export has access to the best components at the lowest prices only a phone call away.

An import licence will free the manufacturer from Government-imposed protection. But there is still the freight bill to bring in the raw material or components. And the high cost of freight (often 25 to 30 per cent of the value of the import) protects local manufacturers — protectionist policies aside.

The export production assistance scheme applies only to those firms manufacturing for export, not for production designed for the domestic market.

Certain items are not included — significantly, packaging materials. Thus it will not help fish exporters, who have been complaining about having to pay more for locally produced fish cartons than their overseas competitors.

Nor will it assist wine exporters who must pay more here for bottles and bag in a box wine containers than do their Australian competitors.

The third scheme announced in the Budget, the product rationalisation policy, recognises the need for New Zealand manufacturers to specialise in areas where they have a comparative advantage and to achieve cost efficiencies through economies of scale.

As is the case with all inward-looking protectionist economies, this country has seen a parallel development of a wide range of industries — most of them producing only for the captive domestic market.

For the past 40 years, Government policy has been one of almost blanket protection from competing imports for any product made locally.

The fact that local products were frequently expensively produced and priced and often shoddy did not come into the argument.

As a result, New Zealand had one of the world's lowest levels of inter-industry trade isolating this country from worldwide technological interchange.

Producing for New Zealand's small consumer market alone meant short production runs and none of the cost savings related to long runs and economies of scale.

In most cases real economies of scale can be achieved by New Zealand firms when they look beyond the local captive consumer to the world as their potential market.

Doing this involves a decision to drop some product lines and concentrate on areas of greatest comparative advantage — those areas where New Zealanders have their greatest strengths in the international division of labour.

The new scheme announced in the Budget and explained by Minister of Trade and Industry Lance Adams-Schneider provides an incentive to industry to achieve the benefits of such specialisation.

The Budget mentioned the scheme saying, "to encourage the transfer of resources into export production, licences will be issued for finished goods where a manufacturer seeks to rationalise his business by ceasing production of the goods concerned, and concentrating the resources thus released in export activities. It will be necessary to establish in such instances that a net foreign exchange advantage will accrue. Care will be taken to ensure that the imports thus allowed do not jeopardise the position of other efficient manufacturers."

In his explanatory notes, Adams-Schneider said: "In administering the Product Rationalisation Policy, the department's licencing officers will seek to satisfy themselves that the claimed export benefits can realistically be achieved within a reasonable time span. Such a period will vary from case to case, and officers will use their discretion.

"They will also carefully evaluate the products concerned in each company's offer, both in relation to the needs of the domestic market, and in terms of export expectations."

Licensing officers will consider detrimental effects on employment patterns, regional implications, and the "interests of efficient manufacturers in the same industry", Adams-Schneider said.

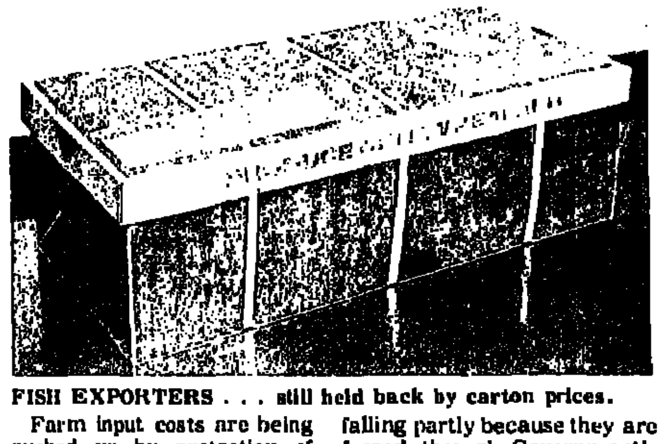
Thus Adams-Schnieder makes it patently clear that he as Minister, and not market forces, will be making all the decisions and retain the immense power enjoyed by the politician who can grant or withhold protection, and favour chosen parties with lucrative import licenses.

Still, the two concepts put forward in the Budget, treated as concepts apart from Adams-Schneider's discretionary administration, can be seen as significant steps towards rationalising New Zealand industry.

In practice, these three concepts may prove to be nothing more than additions to a pork barrel of political patronage.

While the two concepts pay lip service to the desideratum put forward by free enterprise — free trade economists, they lack the essential element of freedom from political and bureaucratic control.

They also neglect New Zealand's biggest exporting group, the farmers.



FISH EXPORTERS . . . still held back by carton prices.

Farm input costs are being pushed up by protection of local manufacturers but there is no provision in either scheme for a farmer to import cheaper farm equipment, onion bags, packaging, or materials for farm land development if it can be shown that locally produced products are either too expensive or of poor quality.

Farmers still contribute some 72 per cent of our export income. And farm profits are falling partly because they are forced, through Government's protectionist policies, to subsidise expensive and often substandard manufacturing.

When a manufacturer can make a case that the high cost of locally produced input prices his finished product out of the export market he might get an import licence to bring in a cheaper import.

When a farmer complains that farming is becoming non-viable because of the high cost of local imputs, there is as yet no avenue for redress.

This neglect of farming interests is probably the result, not the question of equity or economic good sense, but the recent ascendancy of manufacturing and finance-based economists over New Zealand's traditional agricultural economists.

With this in mind, and judging from the long list of discretionary areas left to the administrators of these policies by Adams-Schneider, the three policies can probably best be seen as a sop to those economists clamouring for an overhaul of the protectionist system and a benign paternalistic big Government nod to pressure groups here and there rather than any real move towards a rationally planned economic policy.

The sceptics wait to be convinced. So far the highly protected manufacturers have been better at twisting Government's arm than competing in the marketplace.

Tasman
PULP AND PAPER COMPANY LIMITED

Address by the Chairman, Mr R. R. Trotter, to the twenty-seventh annual general meeting on July 19, 1979.

In his address to shareholders last year, Mr Fletcher indicated that as a result of the 43 day work stoppage in April/May 1978, it would be difficult for the Company to avoid a loss for the year. In the event, the Company was able to complete the year with a small profit before taking in extraordinary items. This was mainly due to improved production performance in the second half. This performance together with a marked improvement in the Company's liquidity situation has enabled the Directors to recommend the restoration of the ordinary dividend to a more acceptable level than has been the case during the last two years.

Given a reasonable industrial atmosphere at Kawerau, the current year should see a marked improvement in the Company's earnings. We have full order books for newsprint and pulp and prices are firm. Production is running at record levels and quality is excellent, both factors reflecting the benefit of capital expenditure in recent years. Additionally, we will derive benefit from measures announced in the recent Budget. Both the devaluation and the new export incentive proposals will be of significant advantage to the Company.

The vexed problem of wage relativity was not resolved by last year's disastrous work stoppage. There were further short strikes early in the current year before a compromise was reached.

A working party comprising employee, Union and Company representatives has been set up to look into the whole question and while this step is not the complete answer it is an encouraging example of joint Worker/Union/Company approach to a difficult problem.

It was encouraging to hear recently from responsible leaders in the national trade union movement that the strike weapon should be the last to be used in disputes and negotiations—not the first as is so often the case.

New Zealanders in general must address themselves to this issue. We must encourage a climate of improved trust and communication between all parties involved in the area of industrial relations. We must improve negotiating skills by better training of Union and shop floor leaders, management and employers.

We must create a framework which will strongly encourage all parties to use effectively the many means and procedures at their disposal to settle disputes before they resort to strikes or lockouts. It is of critical importance to the future of our country that we all work to eliminate the multitude of wildcat strikes that have been plaguing us in recent times.

Tasman would like to develop greater employee participation in the benefits of higher productivity which we believe we can achieve. However, industrial attitudes in New Zealand are not yet particularly sympathetic to such a trend. The traditional attitudes of Union officials and delegates are slow to change but we do perceive a growing confidence and trust on the *shop floor—where the decisions are finally made—and a growing understanding that a healthy and prosperous company can be the best employer.*

I should say it with caution, but I will say it—the industrial climate at Kawerau is improving.

Turning now to mill operations at Kawerau, I am pleased to report that since balance date we have seen production records broken frequently and newsprint quality maintained at a high standard.

Sawn timber production is not as high as we would like and this, of course, reflects the current weak domestic market. Nevertheless, following on greater managerial and marketing autonomy which has recently been granted in this area, we have seen not only some increase in our domestic market share for sawn timber but also substantial improvement in our export sales. Overall however, the level of profitability of exotic sawmilling in New Zealand is far from satisfactory.

The slow down in our forestry planting operations which resulted from pressures on our cash flow in 1977 has been reversed and our full programme will now be maintained. The development of a significant wood resource under its own management and control is clearly a sound objective for Tasman.

The recent disclosures of the enormous wood resources becoming available in this country in the 1990s is not news to the industry. It is vitally important during the next decade to foster the dynamic growth of New Zealand owned and managed operations to the maximum of their expertise and resources so that if foreign investment is necessary it can be attracted without loss of New Zealand control.

Tasman is now undertaking preliminary studies of the feasibility of a fourth paper machine. Such an expansion would call for an investment of more than $100 million and overseas earnings from the increased output would exceed $50 million per year. However, it would be a year before any decision could be made as international markets and world capacity will have to be carefully studied and above all the Government's policy in making available and pricing the vital resources must be defined and be capable of long term prediction.

In his Review which accompanied the Annual Accounts, the Managing Director dealt with the current market situation and in particular with the problem of the price of newsprint to members of the New Zealand Newspaper Publishers' Association.

While we have yet to see a complete resolution of this problem, I am pleased to be able to report that during the last few days the N.P.A. has agreed to further price increases which will materially assist in alleviating the losses arising from supplying the domestic market.

The future of Tasman does not depend on resources alone. These are available and we have proved our ability to convert them to saleable products. The future of Tasman depends above all on people, particularly the team at Kawerau both management and workers. I am delighted at the way our Managing Director, Mr Carl Ryan, has settled in and is developing his management team. We have a greater depth of talent in all our people than has been generally acknowledged. I have confidence that with patience and persistence we will create an atmosphere of trust and confidence that will enable disputes to be settled without confrontation or stoppage.

I now move the adoption of the Report of the Directors and the Accounts.

R. R. Trotter

R.R. Trotter,
Chairman.

Fluidised bed helps coal stage comback

by Bob Stott

THE tripling of New Zealand's known coal reserves as a result of exploration over the past four years must rank as the nation's number one energy non-event.

In 1975 proven reserves totalled 836 million tonnes — the proven recoverable coal reserve is now 3300 million tonnes, a figure which will almost certainly rise again as exploration continues.

Yet the proving of these huge reserves has attracted nothing like the publicity attending the discovery of the Kapuni and Maui gas fields or the development of hydro-electric schemes such as the Clutha.

Coal has an image problem — it's regarded as dirty to handle, dirty to burn and leaves a dirty deposit in the form of ash.

These disadvantages, coupled with a traditionally negligible cost advantage, have made it more attractive to burn oil imported from the other side of the world rather than coal from the Waikato, Westland or Southland.

But trends overseas indicate that coal could well stage a comeback. The rise in oil prices coupled with supply problems make it easier for coal to compete, and research has shown new ways of using coal which overcome the old problems of inefficiency and pollution.

The most important of recent developments is the advent of the fluidised bed, a principle which was evolved for power station use and which is now proposed for both maritime and railway utilisation.

A fluidised bed comprises a quantity of sand or some other similarly inert material spread out across a perforated distributor plate.

When air is blown through the many holes in the distributor plate, the sand begins to bubble and in fact behave something like a boiling liquid.

Coal sprinkled on such a bed burns very efficiently and heats evaporation tubes buried in the bed. The coal burns at a relatively low temperature so impurities don't vaporise and ash does not fuse, while no smoke is created.

Ash is separated from the bed of sand in a cyclone, the clean sand being returned to the bed while the ash falls into a hopper for later disposal.

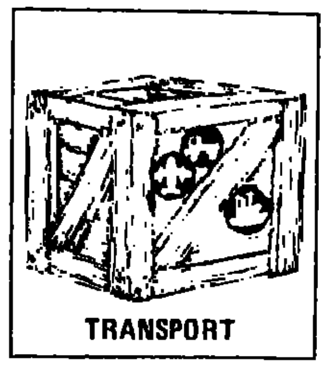
The coal does not need to be pulverised — typically any coal which will pass through a coarse mesh is suitable. No costly stoker is needed, only a screw feed conveyor, as the action of the bed spreads the fuel across it.

The fluidised bed can be started up very quickly by mixing propane gas with the fluidised air and using spark ignition — a small plant can be in steam half an hour from lighting up.

Given that there are now better ways of using coal, and that this country has more than ample stocks: can coal be used as a transport fuel in New Zealand; and can the transport of coal be improved?

Coal's potential as a marine fuel is certainly brighter now. A steam turbine ship utilising a fluidised bed could be built today. The Swedish firm of Stal-Laval claims that the new generation of marine steam plant will have an advantage of around 5 per cent over a comparable diesel engine.

A real incentive to switch to



TRANSPORT

coal at sea is the fact that the quality of marine oil fuels is falling rapidly.

The traditional fuel for the big slow revving marine diesel of today is residual fuel oil — what's left after the refinery has extracted petrol, diesel and other products from crude oil.

With the increase in the price of crude, the refineries have been extracting more and more from it, so that the residue is getting less burnable.

A recent analysis predicts that sulphur content of residual oil will rise by 40 per cent and viscosity by 70 per cent over the next few years. The fear is that eventually residual oil will no longer be a suitable fuel for internal combustion but it will remain suitable for steam raising.

New Zealand doesn't have large quantities of residual oil, but it does have coal, so if the shipping industry does turn back to steam, we are in a position where we can use coal, burned on a fluidised bed.

The new steam technology is also utilised in a British design for a steam railway locomotive which would burn low grade coal on a fluidised bed. And at least on paper, would cost less to build than a conventional diesel locomotive. This would cost no more to maintain, cause less pollution than a diesel, be more reliable and would achieve at least the same thermal efficiency as a diesel.

This design is the work of Professor M W Thring, Dr J E Sharpe and P K Le Sueur of the Department of Mechanical Engineering, Queen Mary College, University of London.

Basic components are a water tube boiler and fluidised bed, and two reciprocating engine units arranged as compounds, with the high pressure exhaust being compressed and reheated by a steam turbine.

The stage has been reached where it is possible to seriously consider steam power produced by coal for use both at sea and on the railways.

At the same time the new technology makes coal-fired steam plants far more attractive for industrial use.

The transport of coal and its methods of handling have changed hardly at all this century. Coal's competitor, the oil industry, offers an unparalled service. Oil by the shipload, the rail tanker load, the road truck load, the drum or the can is delivered with impressive ease and efficiency.

There's a back-up service, with advice on how to use the product, there's slick marketing and packaging.

By contrast the coal industry fails dismally. Most coal is transported in vehicles of a general purpose nature, such as ordinary railway wagons out of which the cargo has to be scooped. There is wastage, breakage and a problem with dust.

At a personal level, it is possible to buy coal for domestic use in multi-wall paper bags, but try to get a winter's supply of coal delivered to your coal-fired domestic central heater and see how that compares in convenience with the oil industry's home heating oil truck.

Coal can be handled in a way which gets over most of these difficulties.

Since 1976, the Kaipara Co-operative Dairy Co has been using small coal-carrying containers to link the Huntly mines with its Helensville dairy factory.

The full containers weigh [illegible] tonnes and are fastened to railway wagons using ordinary ISO twist locks.

Once the containers are loaded at the mines the contents are covered with hinged lids to avoid coal dust blowing about. At the factory, each container is picked up by an overhead gantry and run over the boilerhouse bunker space before the lids are opened and contents tipped out.

Such containers could be made in several sizes, say for 10 and 20 tonnes, to overall ISO dimensions so that existing container carrying road and rail vehicles and container equipment could be used.

Security industry enters 1984

by Mary Varnham

VIDEO cameras recording your every move. Concealed microphones relaying your conversations. Doors that can only be opened with magnetic cards and secret punch codes. Other doors opened and closed by electronic signals. Locks bolted and unbolted by remote control. Lights, machinery switched on and off from control centres kilometres away. Invisible beams detecting when you enter a room and when you leave. Fire alarms that react to smoke even before it is visible to the human eye.

It might sound like a Big Brother fantasy, George Orwell's 1984, a scenario for the future. But it's not. As anyone in the security business will tell you, all these devices, and many others besides, are alive and well and operating in New Zealand today.

Industrial security, the protection of commercial buildings, their property and personnel, is probably the fastest growing service industry in the western world. And while New Zealand is still lagging behind many other countries in the use and application of up-to-the minute security techniques, we are fast catching up. The New Zealand Security Industry Association was incorporated in 1972. Today it has 25 members, each of which must meet high, exacting standards and have a proven record of security service.

And these companies, among them Armoured Freightways, Night Security Services and Wormald International, represent only the tip of the iceberg. The number of smaller operations is probably in the hundreds and more are springing up each year.

All this may seem rather odd in a society which has long prided itself on being one of the most honest and open in the world. But the fact is that, while we have rarely experienced crime of the scale seen in countries like the United States, losses through theft, damage to property, arson and plain dishonesty — to name a few — have increased markedly in recent years.

Where companies could once write off the odd loss, they can no longer afford to do so.

In the retail sector alone, reported losses last year were in excess of $100,000, or around 2 per cent of the gross national turnover. Since many stores do not report their losses, or are not aware of them until their annual stocktaking, the real figure is probably about twice as great.

According to police statistics, total value of property stolen in New Zealand last year was over $62 million. Of this 51.7 per cent was never recovered.

Figures like this have convinced many companies that, much as they may dislike the idea, the good old lock up the shop and hope for the best philosophy just isn't enough any more. They must anticipate, if not the worst, at least a normal degree of crime and secure their property accordingly.

How widespread is this attitude?

"Not nearly widespread enough," says the head of one large security company. "There are an astonishing number of well-known, well-established companies who don't even have decent locks on the doors, let alone anything else. The trouble is we don't hear from them until after they've been ripped off."

The Police Department's crime prevention co-ordinator, Terry Mortensen, said "most people don't know what their security needs are

"And when they do know they often don't take any notice," he said.

There are two main reasons why companies and individuals shy off full-fledged security.

The first is psychological. The trust your neighbour philosophy dies hard. They don't want to act as though someone might try to rip them off. It looks bad and, who knows, it might invite trouble.

Even banks, a popular target for what the police call "criminal appropriations", keep up a determinedly low-key posture — at least in public — to security.

To walk into an American bank is to enter a fortress. There seem to be almost as many armed guards as customers.

Money is shuffled back and forwards through steel-plated slots surrounded by bullet-proof glass. To cash a cheque you may have to show two photo IDs, or even, a recent innovation, fingerprints. Cameras stare down at you with unnerving concentration.

Compare this with the average New Zealand bank. No visible guns, few visible cameras, no barrier between you and the teller.

It's almost friendly. But don't run away with the idea that it's open house for criminals.

Banks here are as well protected for their size as those in the United States. It just doesn't show as much. And that's the whole idea.

"One of the advantages of our system," says a top BNZ official, "is that there is fear of the unknown.

"A very visible security set-up acts as a deterrent, but it also creates a certain atmosphere which is not in the New Zealand nature," he said.

Many companies are worried, too, that obvious high-powered security can act as a red rag to a criminal. It indicates that they have something valuable to protect, therefore increasing their allure as a target.

There is undoubtedly some truth in this but, as any police officer will tell you, any criminal worth his salt will soon figure out where the valuables are, whether there's a sign on the door or not.

The alternative, inadequate protection, is likely to be far more perilous in the long run.

The second, and perhaps most prevalent reason for laxity in security, is cost. Security does not come cheaply. Even a simple measure like putting a security company guard on duty in your building at night can set you back more than $20,000 a year. Once you step into the sophisticated electronic wonderland of microwave alarms, pulsed infra-red beams, scanners, monitors and all the other miracles of modern security technology, the bill may look frightening.

But weighed against the losses you may sustain without such protection it is, as Mortensen points out, a good investment.

Much of the equipment is a one-time cash outlay. There are considerable insurance benefits — some insurance companies offer premium rebates as high as 20 per cent if certain levels of protection are achieved. And most security companies will analyse your needs free of charge.

For all this, security is only a relative term. There is no ultimate security, only varying levels of protection.

"It doesn't matter physically what you do, any average criminal, given time and intelligence, can get into a building," says John Cooper, a divisional manager of Philips Security.

"You can't prevent this, but you can detect it and deny the criminal time."

The other point — all the security measures and devices in the world won't help you if they're not strictly adhered to.

"Security," says Cooper, "is a state of mind."

Lock-up

AN NBR SECURITY SURVEY

Security companies bid in competitive market

by Mary Varnham

HAVING decided you want security, how do you go about finding a security company that will come up with the goods?

Security companies usually do not produce or sell security devices. They are there to advise and put you in touch with the people who do.

They do, however, usually provide manpower in the form of guards and mobile patrols.

The security industry is also highly competitive. Ten years ago it did about $4 million of business a year. Today the figure is more like $20 million.

It's one industry that never has a downturn. In the words of one security man: "When economic conditions are bad, people want to protect what they've got. When they're good, people have more to protect."

Because it is so competitive, prices for the same job can vary widely. In a recent example, tenders ranged from $100,000 to $78,000 for a company's security set-up.

Taking the lowest bidder may not always be wise, no matter how tempting it is. While there are industry standards, watched over by the New Zealand Security Industry Association, these are at best guidelines.

There is probably no foolproof way of knowing how good a security company is going to be, although things like a good track record are a useful indication.

Inevitably it is a trial and error situation, a fact attested to by the signifcant number of firms who change their security company from time to time.

For the new security buyer, the options can be bewildering. But there is help at hand in the form of the Police Department's crime prevention section. Section head Senior Sergeant Terry Mortensen said his officers will look at your property, discuss your needs, the risks you face and advise you on what security products and/or services would be appropriate.

Because they are not product-oriented, and have nothing to sell, their advice is likely to be the most unbiased around.

Crime prevention officers also have the advantage of having specialised knowledge of crime in your particular area.

They know, for example, about the incidence of vandalism or armed robberies or professional break-ins. They also know what sort of safeguards deter criminals and what do not.

Once you decide on the kind of protection you want, the section will give lists of security companies specialising in those areas, be it straight guard services, locks and bolts or complex electronic devices.

After that, you're on your own. You should contact the companies — talk to them all, stresses Mortensen — and negotiate terms.

Look for a good track record. A company that isn't satisfactory isn't likely to stay in the business long. Ask for references from other clients. If there is equipment involved, does it carry a guarantee? For how long? What is the cost of servicing?

If you are using security guards, go over the exact times they will be there and what their duties will be. Under the Private Investigators and Security Guards Act 1974 all guards must undergo police screening and be licensed by the Government Registrar in Auckland. The company should be able to produce evidence of their certification.

If you are still in doubt, refer back to the Police crime prevention section. They are most unlikely to recommend a particular company, but will certainly let you know if you're on the right track.

If you hire a guard service, either guards stationed in the building or visiting it on regular mobile patrols, make sure the security company knows all the ins and outs of your building and any possible pitfalls.

One guard, instructed to turn off any machinery left on at a certain factory at night, dutifully flipped the switch on a machine that normally ran 24 hours a day. The result: four hours of work lost the next day while the machine heated up again. If the management had alerted the security company to this machine or attached a notice to it, all would have been well.

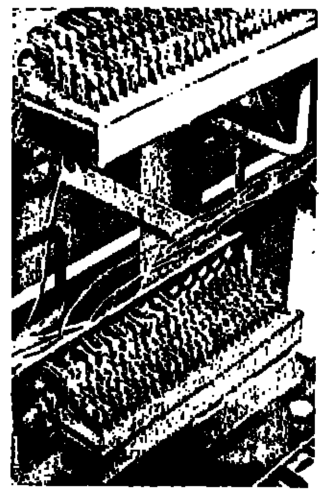
If your security system doesn't seem to be working or if you require additional protection at any time, contact your security company. That's what you hired them for.

A final point — it is always much easier, and less costly, to install security systems and features into a building which is under construction.

"Too often," says a security expert, "people put up buildings and then worry about how to protect them."

The following companies are members of the NZSIA:

Answer Services (NZ) Limited, Auckland.
Armoured Freightways Limited, Petone
Cepak Automation Limited, Wellington
Chubb New Zealand Limited, Wellington
Dominion Protection Services Ltd, Henderson
Eden Security Limited, Mt Eden, Auckland
Electronic Systems Ltd, Christchurch
Fletcher Real Estate (Energy) & Security Management Limited, Wellington
Guardall Alarms NZ Limited, Auckland
Guardian Alarms (Wgtn) Ltd, Wellington
Harding Signals Limited, Lower Hutt
Maximum Security Limited, Auckland
Mitchell Electronics Limited, Auckland
Night Security Services Limited, Wellington
Philips Electrical Industries NZ Ltd, Wellington
Rhino Security Limited, Auckland
Securitas-Holdings Limited, Christchurch
Security and Fire Patrol (NP) Ltd, New Plymouth
Seekers Telephone Answering Services Limited, Christchurch
Sentry Alarm Systems Limited, Tawa
South Canterbury Security Services Ltd, Timaru
Walton Security Systems Ltd, Wellington
Wormald International (NZ) Limited, Auckland
Wormald Vigilant Limited, Chirstchurch
Benefis Systems, Christchurch



BCF gas flood protects computer centre from fire risk

by Mary Varnham

WHEN Databank decided to get the best fire protection available it didn't mess around. With about $70 million dollars of computer equipment at stake, it couldn't afford to.

Consultations were held with Wormald Brothers in Wellington. Both companies agreed that none of the systems, then in use in New Zealand were adequate to protect the highly sensitive equipment.

Information on the latest findings was gathered from overseas, both by Databank and Wormalds. The information was pooled, debated, revised. After several high-ressure months, a solution was arrived at.

The main requirement was to set up a system by which fire would be extinguished not by water, which would damage the equipment, but by gas. Preferably this gas would be one which didn't break the computer circuit, had the least possible effect on the equipment — and was of course, non-toxic.

Carbon dioxide, the gas most frequently used in fire protection, proved unsatisfactory for use with computers. For one thing, the cold temperatures at which it was released would wreak havoc with the hot equipment.

The choice turned out to be an inert gas called Halon 1211, also known as BCF. Not only could Halon be released at a normal temperature, it also required relatively small quantities to be effective.

The gas flooding system, combined with the latest in ionisation smoke detectors and electronic alarms, went ahead. And so did the research.

After the system had been installed in six of Databank's 12 centres, reports arrived from the United States of a new, slightly better form of Halon just developed by scientists there.

Halon 1301, or BTM, had such a low toxicity level that its originators claimed people could stay in a room while it was flooded with the gas and suffer no ill effects whatsoever.

The switch was made.

Since the fire protections systems were installed there has been another addition — sprinklers.

Databank production manager Peter Lockery said: "Water in the computer room used to be a complete no-no but about 1973 attitudes on this changed. Fire must be put out. We can't afford to take any risks."

Databank's thinking was doubtless influenced by developments overseas where a rash of attacks on computers had the industry worried.

Whereas an arsonist could conceivably tamper with the connection between the smoke detectors and the control panel, thus rendering the gas flooding system inoperative, there was no way he could interfere with the sprinkler system. It provided what Lockery called a third back-up level.

Databank didn't come to grips with fire protection until 1972.

Its first six computer centres, built between 1966 and 1970, had no protection other than heat detection. When the temperature rose, an alarm would go off and the fire brigade would rush to the rescue.

Fortunately, the system was never put to the test but increasing attention to computer protection overseas got Databank thinking.

Databank, which is a consortium of the five major trading banks in New Zealand, holds all bank records and also runs a large customer service department. Its clients include over 7000 accountants, as well as several large organisations.

"It isn't only equipment we're protecting," Lockery said, "but a lot of valuable data."

Most of this data is duplicated elsewhere — an important part of Databank's operations — but the time and inconvenience of recomputerising it is a risk the operation wants to avoid at all costs.

As well as its innovative fire protection system, Databank has also gone for broke on physical security. Its centres may look deceptively ordinary but in fact their construction and safety features would make Paremoremo prison pall into insignificance.

All access is scrupulously controlled by a system of magnetically encoded cards and punch buttons, allowing employees and visitors to enter only the areas for which they are cleared.

All staff are carefully screened before being hired. All visitors and servicemen are escorted while in the building. Guards are on duty 24 hours a day.

The result, Lockery said, is that there is a higher level of security in Databank's centres than in any of the computer installations he has visited in the United States.

And the bill for fire protection alone is $500,000.

So far, apart from control tests, the system hasn't been called upon. Databank has only had one fire and that was in an air-conditioning unit. It was put out in minutes with a good old-fashioned fire extinguisher.

Safebreaker technology overtakes old safes

by Mary Varnham

SAFES are the Cinderellas of the security world. They're not exciting like micro-processor card access systems or impressive like electronic monitoring centres or even mysterious like silent intruder alarms.

They do nothing, but sit there in the corner of your office day after day.

And, let's face it, safes are nothing new. They've been around for at least 150 years.

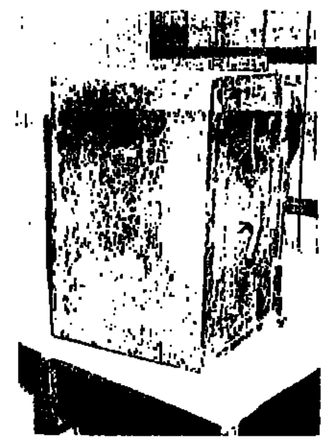
Yet for many New Zealand offices the boring old safe is, and will remain, one of its most important security features. It stores documents, records, data . . . and cash.

It's no secret that cash is the glamour prize for burglars. It was the largest single item stolen in New Zealand last year — almost $2 million of it in reported thefts alone. And, according to police statistics, only about a meagre 4 per cent is ever recovered.

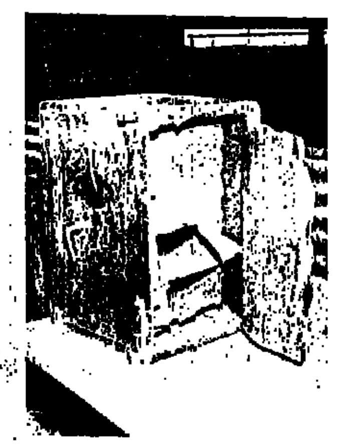
Much of this money was in safes or should have been.

The trouble is that over 70 per cent of safes just aren't up to the mark — they've been overtaken by technology, technology that has proved astonishingly useful to the safebreaker.

Safebreakers don't go around with hammers and chisels too much anymore.



If your safe looks like this ...



... it could end up looking like this

DETERMINED ... saw, pick axe, drill, chisel and shovel attack

They've graduated to oxy-acetylene, oxy-arc, high speed drills and the like.

If your safe is more than 10 years old, it's not going to take the up-to-date criminal too long to figure out a way of getting into it.

If it's more than 70 years old — you might as well leave the money and goods on a table for him to take away.

Ten years is the accepted figure in the industry for the useful life of a safe. After that, advances in cutting techniques and other technology will have outpaced it.

Safes used to be made out of various pieces of metal screwed or welded together. Now they're moulded in a single unit with only the door screwed on. If your safe has seams all over the place take a closer look. It could be a candidate for the old age pension.

The newest safes not only have locks with as many as a million combinations (literally), they also have an automatic relocking mechanism.

If someone manages to blow off the lock the locking bolts will still hang in there.

Safes have another useful side to them. They're often the only things left standing after a fire. And, like everything else, fire protection technology has gone ahead in leaps and bounds.

Chubb New Zealand, who are the biggest maker of safes in the country, are so happy with what scientists have discovered that they've recently come out with something called a computer tape protection cabinet.

This little miracle has been through the ropes, or, more accurately, through the flames. It was heated for two hours at temperatures up to 1850 degrees F, hauled aloft in a white hot mass by a crane and hurled six metres to the ground. As if that wasn't enough, it was then put back in the furnace and baked to 1900 degrees F.

Not only did the cabinet not crack under the strain, its contents survived unscathed. Apparently the temperature where they were didn't get above 120 degrees F.

While most people aren't going to submit their safes, or cabinets, to this sort of treatment, it's worth thinking about what your hundred dollar bills might look like after a fire.

The price of a new safe today ranges from about $700 to $7000, depending on what you want to protect, how much you want to protect it and what risks you face.

Safemaking companies, police crime prevention officers and security companies are all good sources of advice. They'll also inspect your old safe and are likely to ask you:

- What is stored in the safe?
- How many people have access to it?
- How good are the locks on your doors and windows?
- What sort of alarm system do you have?
- Security guards?
- Do you have equipment on the premises that could be used to break open a safe?
- How trustworthy are your neighbours?

Some food for thought: 20 per cent of safebreakings occur because of stupidity. Leaders in the stupidity stakes are leaving the keys in a drawer and writing the combinations on a wall by the safe.

Writing the combinations on a wall by the safe. Who'd be so stupid?

Well, according to the New Zealand Security Industry Association's April newsletter, one culprit was — are you ready? — a trading bank.

One-stop security shop hits town

by Mary Varnham

ONE of the newest entrants into the multi-million dollar security stakes is Philips Electrical Industries. The other day it blazoned into the marketplace with a folder featuring 12 by 16cm colour blow-ups of eyes, ears and mouths (cropped from the face of a luscious, if rather frosty, blonde who appears full face on the cover) and the slogan "Philips Security: Seeing, Detecting, Warning, Communicating".

Nothing new here. What is new is that Philips is aiming at what divisional manager John Cooper describes as "a one-stop security shop" and it's starting not from the manpower side, as most of the other companies have, but from the electronics side.

Manpower, the provision of guards, mobile patrols and cash-carrying services, has dominated the security scene in New Zealand from the beginning. Bill Davis, general manager of Securitas in Wellington, estimates their present work as 25 per cent static guard service, 35 per cent mobile patrols, 35 per cent cash carrying and 5 per cent "bits and pieces".

Since the mid-1960s, Philips has been involved in closed-circuit television as part of the security concept. In 1974, its decision-makers overseas took a long, hard look at security developments in Europe and the United States and realised that the company was involved in only about 5 per cent of the security device market.

The outcome — the development and introduction of a range of up-to the-minute electronic products, including microwave alarms, pulsed infra-red beams and magnetic alarm switches.

Not content with just selling its hardware, Philips has trained staff in the whole gamut of security surveying and claims to be able to put together a whole commercial security package to order.

It's too early to predict how successful the venture will be. One thing, though, is clear: the company may lack general security experience but it doesn't lack confidence. The advertising budget for June alone was $10,000 and this is just the beginning.

Could they put a figure on the potential electronic market?

"At least $3 million a year," says Cooper.

Will sex appeal sell burglar alarms? There's a lot of money hanging on the answer.